

A REPORT OF THE
CSIS BURKE CHAIR
IN STRATEGY

U.S. and Iranian Strategic Competition: The Impact of China and Russia

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March 2012



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EXECUTIVE SUMMARY

China and Russia stand at the pivot of US-Iranian strategic competition. As major world powers and permanent members of the UN Security Council, China and Russia can play a critical role in shaping sanctions and other aspects of international action. The formal position of both China and Russia is that they will impose only those sanctions required by applicable UN Security Council resolutions and not enact sanctions beyond those specifically mandated.¹

At the same time, both countries seek maximize the benefits they can gain from the ongoing competition by refusing to commit to either player. Both nations have an interest in preventing or at least forestalling open hostility as conflict will upset their balancing act. China and Russia work to leverage support to advance their own positions while at the same minimizing the diplomatic costs of double-dealing. In the recent past, China has carefully tilted toward Iran, and Russia towards the West. But China has recently been more cautious in dealing with Iran, while Russia has tended to game the issue as part of a broader hardening in its relations with the US.

The US and Iran stress the value of their relationship and the costs of partnership with the other in competing efforts to win Chinese and Russian support. The US works to integrate China into the present international order, while Iran rejects the status quo and urges China, as a fellow non-Western power, to create a new system apart from the West. Competition plays out over issues of proliferation and sanctions, trade and energy investments, and arms sales. Importantly, Iran seeks to win Chinese support by billing itself as a secure and dedicated source of energy resources for a century of Chinese growth.

China has been able to maintain positive if somewhat strained relations with both the US and Iran by selectively supporting each side. China is willing to use US competition with Iran as an opportunity to grow its influence and test the boundaries of the US-led international order. Its moves are calculated to reap the benefits of US-Iranian conflict while deemphasizing the costs associated with supporting both sides.

Unlike China whose overriding interest in Iran is energy security, Russia has a multiplicity of interests, none of which are predominant. As a result, Russia's approach to Iran is both broader and more flexible than the PRC's and the US and Iran compete for Russian support on an issue-by-issue basis. The primary areas of competition are proliferation and sanctions, trade and energy deals, nuclear technology and infrastructure sales, arms sales, and influence in the Gulf and greater Middle East.

Russia has historically been an important contributor to Iran's nuclear infrastructure and conventional arms capacity, but relations between the two states have been impacted by intensifying Iranian competition with the West and warming Russian relations with the US in the wake of the Obama administration's "reset" policy. Russia has cooperated with the US in meaningful ways, but Moscow's moves away from Tehran should not be interpreted as a wholesale shift in Russian policy. Russia remains vocal in its condemnation of a military solution to the conflict and has been unwilling to support increased sanctions beyond UNSCR 1924 issued in June, 2010. Russia's role in the competition is affected by pressure put on Moscow by a changing political landscape in the Middle East, specifically the uncertain future of

¹ Kenneth Katzman, "Iran Sanctions," CRS, June 22, 2011.

its Syrian ally President Bashar al-Assad, and domestic political concerns surrounding alleged Western influence in the upcoming Russian presidential election.

Russia's strategy to maintain coeval relations with the US and Iran has been to portray itself as an intermediary power. By cooperating on a limited basis with the West while advocating for a softer approach to Iran, Russia reaps the benefits of selective cooperation without incurring the costs of full allegiance.

The ties that China and Russia have with Iran are based primarily on each country's opportunistic assessment of the costs and benefits of a given relationship relative to the risk that the IRI will proliferate, threaten the flow of world oil supplies, and upset their relations with the US and other countries that oppose Iran. Both China and Russia work to gain politically and economically from the ongoing competition between the US and Iran, but do so with the knowledge that Iran can only offer a limited range of incentives compared to China and Russia's broader strategic interests.

Leaders in Moscow and Beijing focus on the security and prosperity of their respective nations, and pursue international relationships from that standpoint. At the present, external pressure from the US and its allies is not yet significant enough to make either China or Russia give up all ties to Iran, and they manipulate such ties to Iran as a bargaining chip in dealing with the US, European, and the Arab Gulf states. If the US is to be more successful in isolating Iran, it will need to convince both countries that Iran poses a greater threat to their interests than they now perceive, seek the help of the Arab Gulf states and other powers to influence China and Russia, and develop a more powerful mix of incentives and penalties to encourage Chinese and Russian cooperation.

China:

China plays a critical role in determining the success of US attempts to isolate Iran, and is a critical player in US-Iranian competition. The struggle to capture Chinese support plays out over issues like proliferation and sanctions, trade and energy investments, and arms sales. Despite continued US diplomatic pressure, Iran seeks to win Chinese support by billing itself as a secure and dedicated source of energy resources. Iran has also aggressively sought to deepen its diplomatic relationship with China in order to cement its bond with the PRC. China has been able to maintain positive, if somewhat strained, relations with both the US and Iran by supporting nuclear/arms sanctions on Iran diplomatically and by flouting them covertly in practice.

Russia:

The US and Iran compete for Russian support on an issue by issue basis. Russia does not consider Iran a security threat and it is not dependent upon Iran's energy resources; rather it is a competitor. Instead of having one overriding interest in Iran like the PRC, Russia has a multiplicity of interests, none of which are predominant, and all of which are negotiable to some degree. The US and Iran compete over issues of proliferation and sanctions, trade and energy deals, nuclear technology and infrastructure sales, arms sales, and influence in the Gulf and Middle East. Russia, in turn, has repeatedly tried to portray itself as an intermediary power to best position itself within the ongoing US-Iranian competition, all the while working to reap the benefits of selective cooperation with both sides.

China

China is an active, intimate player—as both a supporter and spoiler—in the ongoing struggle between the US and Iran. China exploits its dual-role as Iranian benefactor and permanent member of the Security Council, and serves as a de facto gatekeeper to meaningful international sanctions of Iranian nuclear ambitions. The US is obliged to leverage the strength of its bilateral partnership with China to influence China’s position and to carefully apply concerted, external diplomatic pressure.

Iran works to maintain China’s patronage by highlighting the fruits of economic cooperation, particularly in the energy sector, by stressing the need for mutual opposition to American dominance, and by encouraging China to take a leading role in shaping the future of the global system. China values its relations with the US too much to risk a meaningful breach, but it is clearly willing to use US competition with Iran as an opportunity to improve its global strategic position.

Evolving US-PRC Relations

The rapid pace of China’s economic and military growth, along with the deepening of trans-Pacific trade relations make the Sino-American relationship one of the principal focal points of the twenty-first century. China’s expansion as a global power brings with it new responsibilities to monitor and strengthen the peripheries of its sphere of influence and to ensure the protected flow of goods to back to its urban core. China’s increasing economic international presence is likely to result in the PRC seeing the United States—the country with the largest global footprint—as both a critical economic partner and a key strategic rival. The two countries already cooperate and compete on several global issues.²

US policy toward China has been largely consistent since the Nixon Presidency. After the normalization of diplomatic relations in 1979, and especially in the past decade, the US has struggled to bring the PRC closer into the international order it dominates. The US encourages China’s participation as a “responsible stakeholder” in the global system: privileging stability and communication over dramatic change.

The US and China share membership in numerous multilateral institutions and since September 11th both nations have publically committed to addressing the global security threat posed by terrorism. Beginning in 2009, to strengthen bilateral relations officials from the US Treasury and State Department have met with their Chinese counterparts at the U.S.-China Strategic and Economic Dialogue. The Dialogue serves as the highest-level forum for both nations to address a broad range of bilateral, regional, and global issues.³

Though relatively stable, the Sino-American political relationship demands flexibility of both parties. This year President Hu Jintao and two-thirds of China’s leading political figures will be

² Anthony H. Cordesman, Martin Kleiber, “Chinese Military Modernization and Force Development.” Center for Strategic and International Studies. 7 September 2006.
http://csis.org/files/media/csis/pubs/060907_chinesemilitary.pdf.

³ Charles Freeman and Bonnie S. Glaser, “The U.S.-China Strategic and Economic Dialogue.” Center for Strategic and International Studies. 9 May 2011. <http://csis.org/publication/us-china-strategic-and-economic-dialogue-0>.

replaced by new members.⁴ The coming ascension of the Politburo's "fifth generation" leaders presents new challenges and opportunities for US-China relations.

The US-Chinese economic relationship is intertwined with the political relationship and is a critical component of both countries' grand strategy. The relationship has important impacts on the overall health and stability of the global economy, and the secure flow of every aspect of global economic development and trade. The Congressional Research Service (CRS) reports that China holds \$1.16 trillion or 26.1 percent of US federal debt and is the United States' second largest trade partner.⁵ In 2010, China exported some \$1.5 trillion worth of goods, over 20% of which went to the United States, according to statistics provided by the CIA.⁶ This volume of exports equaled 26% of China's GDP and the volume of exports to the US alone was equal to 5.2%.⁷

US-Chinese trade figures will change steadily over time as China's economy increases in size, sophistication, and internal demand, but it seems unlikely that the US and China will cease to be major trading partners at any point in the foreseeable future. It is certain that both will remain dependent in large part on the overall health of the global economy. Terrorism, piracy, insurgency all pose a common threat to trade and economic growth, particularly if terrorism escalates to insurgency, attacks critical economic targets, or involves the use of weapons of mass destruction.⁸

US-Chinese security cooperation is improving, but significant obstacles remain to a further warming of the relationship. The United States' relationship with Taiwan has long been the core irritant. In January 2010, China suspended military dialogue with the US and threatened to impose sanctions on US defense contractors after the Obama administration confirmed a \$6.4 billion arms deal with Taipei.⁹ Just as China's competition with the US over Taiwan and other claims in the eastern Pacific remain intense, PRC arms sales with Iran, who in turn provides weapons to terrorist groups like Hamas and Hezbollah, places further strain on Sino-American relations.

A significant increase in Chinese military capabilities has also raised tensions in the relationship. The transformation of China's military from a regional, land-based defense force into a more mobile body capable of trans-regional action impacts the American strategic approach to East

⁴ Cheng Li, "New Challenges in Predicting China's Upcoming Political Succession." China Business Review. November-December 2010. <https://www.chinabusinessreview.com/public/1011/commentary.html>.

⁵ Justin Murray and Marc Labonte, "Foreign Holdings of Federal Debt." Congressional Research Service. 25 March 2011. http://assets.opencrs.com/rpts/RS22331_20110325.pdf.

⁶ CIA, World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>, June 25, 2011.

⁷ CIA, World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>, June 25, 2011.

⁸ Anthony H. Cordesman and D. Brandon Fite, "US and Chinese Cooperation in Counterterrorism in the Middle East and Central Asia: Finding Ways to Move Forward." Center for Strategic and International Studies. 27 June 2011.

⁹ "China Suspends U.S. Military Talks," The Associated Press. 31 January 2010. http://www.pittsburghlive.com/x/pittsburghtrib/news/nation-world/s_664954.html?source=rss&feed=7.

Asia.¹⁰ China's territorial claims in the South and East China Seas are bolstered by the PLA's continued development of advanced Anti-Access/Area Denial capabilities.¹¹ As the PLA continues to grow and transform, the US is intent on pursuing an active relationship with Chinese commanders in order to build trust and prevent miscommunication. On a visit to Beijing in January 2011, US Secretary of Defense Robert Gates commented on the relationship saying, "We are in strong agreement that in order to reduce the chances of miscommunication, misunderstanding or miscalculation, it is important that our military-to-military ties are solid, consistent and not subject to shifting political winds."¹²

As China's regional and international interests expand and grow more complex, the PLA's international engagement will expand, especially in the areas of peace operations, HA/DR, and joint exercises. In addition to furthering PLA modernization, the focus of these engagements will likely remain on building China's political ties, assuaging fears about China's rise, and building China's international influence, particularly in Asia.

Evolving Iran-PRC Relations

The PRC established relations with Iran in 1971. Since that time both countries have developed a relationship which is strategically beneficial to both parties. Sino-Iranian security cooperation revolves around China's desire for resource security. Iran provides China with a secure source for oil, a market for arms, a strategic foothold in the Middle East, and a means by which to indirectly challenge American supremacy.

In return, Iran's need of a great power patron is satisfied by China who provides economic partnership, an important arms nexus, and perhaps most importantly diplomatic cover. The Sino-Iranian bond is strengthened by a mutual distrust of America's global reach and both nations frequently criticize the US policy of liberal interventionism as "imperialist" and "hegemonic." Over the past forty years, China has frequently played the role of enabler in its bilateral relations with Iran.

A Mutually Enabling Political Relationship

In the past decade Iran has sought to frame the Sino-Iranian partnership as a model alternative to what it views as the declining Western system. By supporting China, Iran works to hasten an international climate less dominated by states in opposition to its regime.

Relations between China and Iran began during the rule of Shah Reza Pahlavi and arose out of China's growing tensions with the USSR. China's initial strong support for the Shah led to strained relations when the Revolutionary government took power, but relations soon improved.

¹⁰ Anthony H. Cordesman and Martin Kleiber, "Chinese Military Modernization and Force Development." Center for Strategic and International Studies. 7 September 2006. http://csis.org/files/media/csis/pubs/060907_chinesemilitary.pdf.

¹¹ Ibid.

¹² David S. Cloud, "U.S., China Pledge to Improve Military Cooperation." The Los Angeles Times. 11 January 2011. <http://articles.latimes.com/2011/jan/11/world/la-fg-gates-china-20110111>.

By the sixth year of the Iran-Iraq War (1980-1988) China had become Iran's largest supplier of arms.¹³ That same year, China provided Iran with HY-2 Silkworm anti-ship missiles, which allowed it to strike Iraqi and later Iraqi-supporting non-combatant shipping in the Gulf, beginning the so-called "tanker war". In April 1988, the sinking of an American frigate by an Iranian mine led to Operation Praying Mantis, the largest U.S. naval engagement since WWII.

Fears over the possibility of full U.S. involvement in the war coupled with Iraq's use of chemical weapons pushed an isolated Iran closer to the negotiating table. China remained an ally of Iran, criticizing US military involvement, but it encouraged Tehran to accept a negotiated settlement. In July of 1988, while China chaired the UN Security Council, Iran accepted UN Resolution 598, enacting a cease-fire and effectively putting an end to its hostilities with Iraq.¹⁴

Since the Iran-Iraq War and China's modern economic resurgence, the PRC has deepened its relations with Iran—through continued arms sales and diplomatic engagement—and expanded its presence in the Middle East at large. In 1998, China's trade with the Middle East was valued at \$7.4 billion; by 2007, it had increased more than twelvefold to \$93.7 billion.¹⁵ Much of the increase has been driven by China's ever-growing hunger for oil imports. As of 2009, China imported more than 50 percent of the oil it consumes.¹⁶ China's greater need for resources and desire for unhindered growth have solidified its presence in the Middle East and complicated US attempts to break its ties to Iran.

Over the past ten years, the PRC has maintained and even increased its political association with the IRI despite international pressure. According to John Garver of the Sam Nunn School of International Affairs, "there were six high level Chinese and Iranian official exchanges in 2003, eleven in 2004, fourteen in 2005, ten in 2006, seventeen in 2007, twelve in 2008, and ten in 2009."¹⁷ At these meetings the delegates discussed topics including: transportation, agriculture, environmental protection, ship building, training of diplomats, information technology, labor and social security, internal security, military industry, and the nuclear issue.¹⁸

Iran's leadership stresses that a strong Sino-Iranian partnership is critical to the rise of a new world order. Speaking to China's new ambassador to Tehran in March of 2011, President Mahmoud Ahmadinejad said, "The order and the system dominating the world at present is worn-out and rotten and its unfair nature has been unveiled to all...Under the present conditions,

¹³ Richard Harwood and Don Oberdorfer, "China Reportedly Now Iran's Largest Arms Supplier Despite U.S. Objections." The Washington Post. <http://articles.latimes.com/1986/aug/26>.

¹⁴ Willem van Kemenade, "Iran's Relations with China and the West: Cooperation and Confrontation in Asia." Netherlands Institute for International Relations. November 2009.

¹⁵ Michael Mazza, "China-Iran Ties: Assessment and Implications for U.S. Policy." American Enterprise Institute. 21 April 2011. <http://www.irantracker.org/analysis/michael-mazza-china-iran-ties-assessment-and-implications-us-policy-april-21-2011>

¹⁶ Michael J. Economides, "China's Oil Imports Continued Upward Climb in '09." Energy Tribune, <http://www.energytribune.com/articles.cfm/2982/Chinas-Oil-Imports-Continued-Upward-Climb-in-09>.

¹⁷ John W. Garver, "China's Iran Policies." Testimony Before the U.S.-China Economic and Security Review Commission on "China's Current and Emerging Foreign Policy Priorities." 13 April 2011, 7.

¹⁸ John W. Garver, "China's Iran Policies." Testimony Before the U.S.-China Economic and Security Review Commission on "China's Current and Emerging Foreign Policy Priorities." 13 April 2011, 7.

the world needs a humane and fair new order and Iran and China can have fruitful cooperation in the interest of humanity to define and establish this order."¹⁹

This view is at once critical of present American leadership and suggestive that Iran and China are integral to a needed transition. According to the Iranian Fars News Agency, Foreign Minister Ali Akbar Salehi "underlined Beijing's important role in international equations, and called on the Chinese officials to double their efforts to play a greater role in the new world order."²⁰ Iran is not a passive beneficiary of China's economic and diplomatic relations; it is an active booster of China's ascent. The Iranian leadership believes that as Chinese influence expands Western pressure will decrease and the Iran will have greater space to pursue its national ambitions.

Iranian officials stress that an expanded international role in the Sino-Iranian relationship is necessary to secure regional "peace and security" and to advance the mutual interests of Beijing and Tehran. In March 2011, Hossein Sobhaninia, a senior Iranian MP stated, "With regard to the recent developments in the Middle-East and North Africa, parliamentary cooperation between Iran and China plays a key role in restoring peace and stability in the region and serving the interests of the two nations."²¹ Sobhaninia is a member of the Iranian parliament's Presiding Board and was speaking with Chen Zhili, vice chairperson of the Standing Committee of the National People's Congress of China.

Iran has had some success advancing its worldview. In 2005, Iran was granted Observer status in the Shanghai Cooperation Organization (SCO). The Organization, which is dominated by China and Russia, often espouses views which challenge US leadership in the global system. Iran's position in the SCO places the Sino-Iranian relationship in a multilateral framework and seriously undermines US-led attempts to politically isolate Iran for its suspected pursuit of nuclear weapons. At the 2009 summit, Chinese President Hu Jintao stated that "Tehran and Beijing should help each other to manage global developments in favor of their nations otherwise the same people who are the factors of current international problems will again rule the world."²²

Iranian President Mahmoud Ahmadinejad uses the multi-national forum to criticize the West far more overtly. At the 2011 summit in Astana, Ahmadinejad stated "All opinion polls show that the US is the worst country in the world. People everywhere regard this country as their own enemy."²³ He also claimed the international order was led by "slavers and colonizers."²⁴

¹⁹ "Ahmadinejad Stresses Iran, China's Role in Establishing New World Order." Fars News Agency. 1 March 2011. <http://english.farsnews.com/newstext.php?nn=8912100952>.

²⁰ "Iran Urges China to Play More Significant Role in New World Order." Fars News Agency. 26 May 2011. <http://english.farsnews.com/newstext.php?nn=9003056137>.

²¹ "MP Underscores Iran, China's Key Role in Restoring Peace in Region." Fars News Agency. 19 April 2011. <http://english.farsnews.com/newstext.php?nn=9001300420>

²² "Iran, China Calls For A Long-term Strategy To Expand Bilateral Ties." Iranian Students News Agency. 17 June 2009. <http://www.isna.ir/ISNA/NewsView.aspx?ID=News-1357500&Lang=E>.

²³ Fred Weir, "SCO security summit: Are China and Russia losing patience with Ahmadinejad?" Christian Science Monitor. 15 June 2011. <http://www.csmonitor.com/World/Global-News/2011/0615/SCO-security-summit-Are-China-and-Russia-losing-patience-with-Ahmadinejad>.

While the SCO frequently takes positions contrary to those of the US, the Chinese leadership pushed back against some of Ahmadinejad's more inflammatory rhetoric. According to Fred Weir of the Christian Science Monitor, "In a sideline meeting with Ahmadinejad, [Chinese President] Hu called upon Iran to 'take substantial steps in respect of establishing trust' and 'speed up the process of dialogue,' in international efforts to curb Iran's nuclear program."²⁵ China's leaders have not changed their stance of support for Iran, but they are conscious of its possible political costs. An unnecessarily belligerent Iran threatens China's credibility, but if China can show itself to be a force of moderation it can justify its continued relationship with Iran.

The PRC-IRI Economic Relationship: Weapons for Energy

China's growing thirst for securely flowing oil and the West's sanction-induced withdrawal from Iran's energy sector have had a major impact on Sino-Iranian economic relations. Both factors have combined to produce an environment in which China and Iran may draw closer together for mutual economic and strategic benefit.

Differences between China and Iran over diplomatic language at the 2011 meeting of the SCO were largely masked by the importance President Hu Jintao placed on both countries' strong economic relationship. Along with reaffirming his country's support for Iran's pursuit of peaceful nuclear power, President Hu stated that Iran was the PRC's second largest trade partner in West Asia.²⁶ That relationship is only set to strengthen as China continues to invest in an Iran steadily drained of Western investment.

Iran is currently the fourth-largest recipient of Chinese non-bond investment, trailing only Australia, the U.S., and energy-rich Kazakhstan.²⁷ Iran produces 3.7 million barrels of crude per day, making it OPEC's second-largest oil exporter. According to Oil Minister Masoud Mirkazemi the country has "oil reserves of around 155 billion barrels and 33 trillion cubic meters of gas reserves." He also said that, by 2015, Iran would invest "\$150 billion (104 billion euros) in upstream and \$50 billion in downstream" projects to develop its energy sector.²⁸

The future of the Iranian oil sector, is unmistakably impressive according to Dorraj and Currier of the Middle East Policy Council, and presents an obvious draw for a nation seeking a long-term source of oil like China. According to *Oil and Gas Journal*, Iran has the third-largest

²⁴ Fred Weir, "SCO security summit: Are China and Russia losing patience with Ahmadinejad?" Christian Science Monitor. 15 June 2011. <http://www.csmonitor.com/World/Global-News/2011/0615/SCO-security-summit-Are-China-and-Russia-losing-patience-with-Ahmadinejad>.

²⁵ Ibid.

²⁶ "Iran is China's second largest trade partner in West Asia." Turkish Weekly. 17 June 2011. <http://www.turkishweekly.net/news/116441/iran-is-china%E2%80%99s-second-largest-trade-partner-in-west-asia.html>.

²⁷ Derek Scissors, "China Global Investment Tracker: 2010." Heritage Foundation, *White Paper*. 7 July 2010. <http://www.heritage.org/research/reports/2010/02/china-global-investment-tracker-2010>.

²⁸ "Chinese Firms Dominate Iran Oil Exhibition." AFP. 15 April 2011. <http://www.google.com/hostednews/afp/article/ALeqM5jIaR0aF5otNEnn7hmxynIxUjU3MA?docId=CNG.237368a6f7fb528b5d54540410303906.81>.

proven reserves of oil with 132.5 billion barrels of oil – roughly 10 percent of the world's total supply – and ranks behind Saudi Arabia (266.8 bbl) and Canada (178.8 bbl).¹¹

If both oil and gas reserves are included and natural-gas reserves are converted into barrels of oil equivalent (boe), Saudi Arabia has 302.5 boe, and Iran has 301.7. Russia's hydrocarbon reserves, the world's third-largest, are 198.3 boe.¹² This means Iran's hydrocarbon resources are almost equal to those of Saudi Arabia and greater than those of Russia.

What makes Iran's future energy potential even more impressive is the fact that, Iran's extraction rate is relatively low compared with its vast reserves. Given the proper amount of investment and technology, Iran would have the capacity to boost its production substantially and become an even larger provider of energy for China.²⁹

This helps explain why China is providing important technical benefits to develop the Iranian energy sector. In the past, development of Iran's energy sector has been handicapped by constitutional limitations on foreign ownership and investor concerns over the country's political and economic stability. Iran's oil production levels remain below pre-Revolution levels and substantial offshore gas reserves have yet to be exploited. High levels of domestic energy consumption have also made Iran reliant upon gasoline exports. Iran also lacks the technology needed to liquefy natural gas and sanctions have hindered its acquisition.

China's current commitment to Iranian energy resources, despite sanctions, is a saving grace for Iran's underdeveloped energy industry.³⁰ By refusing to implement its own set of unilateral sanctions, China has positioned itself to fill the void left by Western firms and increase its market share. At an Iranian oil exhibition in April 2011 the number of Chinese companies in attendance jumped from 100 in 2010 to 166.³¹

Nevertheless, China has refused to rush headlong into binding contracts with Iran. The leaders of China's national oil companies (NOCs) are wary of overreaching in an unstable economic environment and of unnecessarily offending Washington in the process.³² Writing in *Foreign Affairs*, Downs and Moloney describe China's investment strategy as follows:

Their strategy is to negotiate agreements but delay major spending in the hope of securing access to Iran's resources over the long term while minimizing the immediate risks of taking on legal and financial commitments in an unpredictable environment...Commitments to Iran largely take the form of non-binding memoranda of understanding (MOUs). Such MOUs total nearly \$80 billion, but only a fraction will likely be realized if Chinese companies fear that these investments could

²⁹ Manochehr Dorraj and Carrie I. Currier, "Lubricated with Oil: Iran-China Relations in a Changing World." Middle East Policy Council. <http://www.mepec.org>.

³⁰ Erica Downs and Suzanne Moloney. "Getting China to Sanction Iran." *Foreign Affairs*. 90.2 (2011): 15-21. *Academic Search Premier*. EBSCO. 21 June 2011.

³¹ "Chinese Firms Dominate Iran Oil Exhibition." AFP. 15 April 2011. <http://www.google.com/hostednews/afp/article/ALeqM5jIaR0aF5otNEnn7hmxynIxUjU3MA?docId=CNG.237368a6f7fb528b5d54540410303906.81>.

³² Erica Downs and Suzanne Moloney. "Getting China to Sanction Iran." *Foreign Affairs* 90.2 (2011): 15-21. *Academic Search Premier*. EBSCO. Web. 21 June 2011.

provoke sanctions under U.S. law or if the companies are forced to choose between energy projects in Iran and energy projects in the U.S.³³

China is sensitive to external pressure concerning its investments in Iran, but it is determined to extract the highest benefit from US-Iranian competition by walking the line between opportunism and overt obstructionism. China's significant export of gasoline to Iran serves as a perfect example of this. There was a 75 percent drop in total sales of refined gasoline to Iran in 2010 due to US and EU sanctions.³⁴ China moved in to fill the gap and sold Iran half of its gasoline imports for the month of July 2010, amounting to roughly 45,000 barrels per day.³⁵ In return, Iran reportedly bought Chinese gasoline at a 25 percent premium above the market rate.³⁶

Despite their close economic relationship, however, Iran and China have issues. Many in the Iranian merchant-class have grown resentful of China's growing influence in Iran's domestic markets. Down and Moloney report, "The Iranian media regularly complain that China is price gouging, that its materials are inferior, and that cheap Chinese imports are driving Iran's small industries out of business."³⁷ Tehran has taken steps to block products that are "beneath the dignity of the Iranian consumer" by banning 170 "low quality" products, nearly all of which are Chinese.³⁸

US-Chinese Dependence on Gulf Oil

The US and China are both critically dependent on the flow of energy from the Middle East, North Africa, and Central Asia. The CIA World Factbook estimates that China consumed 8.2 million barrels of oil per day (MMBD) in 2010, and that China imported some 4.3 MMBD or 52% of this total.³⁹ It also estimates that the US consumed 18.7 MMBD, and imported some 11.3 MMBD or 60% of this total.⁴⁰ Iran is an important military power in the Gulf region and has made efforts to expand its control over these key energy routes.

The International Energy Agency (IEA) and the Energy Information Agency (EIA) of the US Department of Energy both estimate that the US, China, and the global economy will remain critically dependent on the secure flow of oil and gas exports through 2035 – as far as either Agency makes estimates into the future. China and the rest of the developing world are estimated to steadily increase this dependence on energy imports, highlighting the critical importance of

³³ Erica Downs and Suzanne Moloney. "Getting China to Sanction Iran." *Foreign Affairs* 90.2 (2011): 15-21. *Academic Search Premier*. EBSCO. Web. 21 June 2011.

³⁴ Kenneth Katzman, "Iran Sanctions." Congressional Research Service. 25 May 2011. www.crs.gov. 1 July 2011.

³⁵ "Iran buys July gasoline from Turkey, Chinese sellers." Reuters. <http://af.reuters.com/article/energyOilNews/idAFLDE6671KD20100708>.

³⁶ Erica Downs and Suzanne Moloney. "Getting China to Sanction Iran." *Foreign Affairs* 90.2 (2011): 15-21. *Academic Search Premier*. EBSCO. 21 June 2011.

³⁷ Ibid.

³⁸ Ibid.

³⁹ CIA, World Factbook. June 25, 2011. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>.

⁴⁰ Ibid.

growing and secure flows of oil and gas exports to the world economy through 2035. The US, Europe, and Japan are not estimated to make any significant reductions.

Both the US and China are predicted to make major increases in their energy consumption, but China has far more reason to be concerned about the growth in its dependence on foreign sources. The US will only increase its consumption of oil from 18.6 MMBD to 21.9 MMBD, but China will increase its consumption from 8.32 MMBD in 2009 to 19.1 MMBD in 2035. The US will produce 12.8 MMBD of conventional and unconventional liquids in 2035, leaving 9.1 MMBD in imports (42%). China will produce 4.2 MMBD of conventional and unconventional liquids in 2035, leaving 14.2 MMBD in imports (74%).

These figures understate the true level of US import dependence on Gulf and other energy exports, however, because the US imports massive amounts of oil and gas indirectly through its imports of manufactured goods – a large percentage of which come from China, Europe, and other Asian states that are heavily dependent on imports from the Middle East and North Africa.⁴¹ US gas imports may drop because of new technology and much of US gas imports will come from Canada. Like the IEA, the EIA estimates China will massively increase its energy imports of gas – massively in the case of gas, particularly if the crisis in Japan slows China's expansion of nuclear power.

These data highlight the vital importance secure energy sources play in the strategic considerations of the US and China. The lure of Iranian oil is a powerful motivator for China to maintain positive relations. Likewise, if the U.S. hopes to decrease the PRC's commitment to Iran, it must do so in ways which do not jeopardize Chinese energy security.

Chinese Military Assistance to Iran and US Opposition

China has historically been an important arms supplier for Iran. In the years following the Iran-Iraq war China steadily ramped up its weapons sales to Iran. The IRI purchased \$400 million worth of weapons from the PRC between 1993 and 1996, and \$600 million during the 1997-2000 period.⁴² In addition to small arms, Beijing supplied Tehran with artillery pieces, anti-ship cruise missiles, surface-to-air missiles, fighter jets, tanks, armored personnel carriers, and fast-attack patrol vessels. Contemporary Chinese supplies to Iran have included: large-caliber sniper rifles, armor-piercing rounds, C-802 "Silkworm" anti-ship cruise missiles, shoulder-fired HN-5 anti-aircraft missiles, 107mm rockets, 60mm and 82mm mortars, rocket-propelled grenades, anti-aircraft guns, landmines, and components for roadside bombs.⁴³

According to Richard Grimmett at the Congressional Research Service, the value of arms transfers decreased in first decade of the 2000s. Between 2002 to 2005 arms sales were valued at

⁴¹ Energy Information Agency. *Annual Energy Outlook. 2011*, April 2011, pp. 154-155.
<http://205.254.135.24/forecasts/aeo/>.

⁴² Richard F. Grimmett, *Conventional Arms Transfers to Developing Nations, 1993-2000* (Washington, DC: Congressional Research Service, August 2001), 28; Testimony, September 14, 2006, U.S.-China Economic and Security Review Commission, Hearing on China's Proliferation to North Korea and Iran, and its Role in Addressing the Nuclear and Missile Situations in Both Nations,
http://www.uscc.gov/hearings/2006hearings/written_testimonies/06_09_14wrts/06_09_14_berman_statement.php.

⁴³ John J. Tkacik Jr., "The Arsenal of the Iraq Insurgency: It's made in China." *The Weekly Standard*. 13 August 2007. Vol. 12, No. 45. <http://www.weeklystandard.com/Content/Public/Articles/000/000/013/956wspet.asp>.

approximately \$100 million and then dropped below \$50 million in the period of 2007 to 2010.⁴⁴ Despite the decrease in volume from the previous decade, Sino-Iranian arms sales have had a marked effect on the stability of the region through Iran's support of proxy militant forces.

The US has vigorously opposed Chinese assistance to Iran's military sector. Speaking with CNN in 2007, Under Secretary of State for Political Affairs Nicolas Burns pointedly stated that the US has "irrefutable evidence" that the Iranians are transferring arms to militants in "Lebanon, in Gaza, in Afghanistan, and in Iraq" in direct contravention of UN Security Council Resolution 1747.⁴⁵ Some of these arms are believed to originate from the PRC, a signatory to UN Resolution 1747 banning Iran's export of arms. John McConnell, the former Director of National Intelligence, testified to Congress that the PRC's arms sales in the Middle East were "destabilizing" and "a threat" to US forces.⁴⁶

In 2009, former Defense Secretary Robert Gates delivered a report to Congress giving a brief summation of the US position on the Sino-Iranian arms trade:

Beijing conducts arms sales and training both to enhance foreign relationships and to generate revenue to support its domestic defense industry. China's arms sales range from small arms and ammunition to joint development or transfer of advanced weapons systems. Chinese companies sell primarily to developing countries where China's low-cost weapons sales serve both commercial and strategic purposes...China supported UN Security Council Resolutions 1737, 1747, 1803, and 1835. However, concerns remain regarding China's enforcement of existing laws regarding arms sales to Iran. A number of transfers to Iran have resulted in U.S. trade penalties and sanctions against entities in China. Some weapons that PRC entities supplied to Iran were found to have been transferred to terrorist organizations in Iraq and Afghanistan. This is a serious issue that the United States continues to monitor.⁴⁷

China has denied its complicity in illicit arms transfers and according to David Albright, president of the Institute for Science and International Security, part of the problem has been due deficient enforcement mechanisms in the PRC. Chinese companies may be violating UN sanctions against Iran without the knowledge of the Chinese government because the PRC lacks the proper law-enforcement and export control networks to intercept dual-use technology. At a forum in January 2011, Albright said that while the US and Europe have developed means to detect Iranian front companies, in China "a large amount" of illicit equipment and material reaches Iranian buyers.⁴⁸

⁴⁴ Richard F. Grimmett, "Conventional Arms Transfers to Developing Nations, 1998-2005." Congressional Research Service. October 2006, 66. Richard F. Grimmett, "Conventional Arms Transfers to Developing Nations, 2003-2010." Congressional Research Service. September 22, 2011, 44.

⁴⁵ "Iran arming Taliban, U.S. claims." CNN.com. 13 June 2007.
<http://edition.cnn.com/2007/WORLD/asiapcf/06/13/iran.taliban/index.html>

⁴⁶ Shirley Kan, CRS Report for Congress "US-China Counter-Terrorism Cooperation: Issues for US Policy" 15 July 2010, 36.

⁴⁷ Secretary of Defense Robert Gates, "Military Power of the People's Republic of China, 2009," March 25, 2009.

⁴⁸ Indira A.R. Lakshmanan, "U.S. Concerned Chinese Companies May Be Aiding Iran Nuclear Weapon Effort." Bloomberg. 10 March 2011. <http://www.bloomberg.com/news/2011-03-10/u-s-concerned-chinese-companies-may-be-aiding-iran-nuclear-weapon-effort.html>.

A chronology highlighting key moments in the Sino-Iranian arms relationship and the US pressure to disrupt it is shown below in Figure 10.1:

Figure 10.1: Chronology of Recent Reports of PRC-Iranian Arms Cooperation

- **4 June 2000:** China is reported to be assisting Iran in an advanced surface-to-surface ballistic missile development project. The transfer of guidance systems, missile engines, and solid fuels could help Iran construct factories for missile manufacturing. In addition, Chinese assistance with the production of these materials is essential for Iranian development of long-range missiles.⁴⁹
- **18 July 2000:** In reference to reports of China's assistance to Iran's missile program, Zhu Bangzao, the Chinese Foreign Ministry spokesman, brushed aside allegations saying, "This report is baseless," and "We hope the Middle East and the Gulf will maintain peace and stability."⁵⁰
- **26 January 2001:** *The Washington Times* reports China is continuing to sell missile related technologies to Iran. According to an anonymous source, China supplied Iran with specialty metals and chemicals used in missile production. China North Industries Co. was identified as the seller. The Iranian buyer was Shahid Bakeri Industrial Group.⁵¹
- **19 July 2002:** U.S. State Department imposes economic sanctions on eight Chinese companies involving "three cases of sales of advanced conventional arms and chemical and biological weapons components to Iran." The sales were made between September 2000 and October 2001 and violated the Iran-Iraq Nonproliferation Act of 1992.⁵²
- **23 May 2003:** The U.S. government imposed sanctions on China North Industries Group (Norinco) for allegedly supplying missile technology to Iran. The sanctions barred all exports to the U.S. by Norinco or its subsidiaries, and forbade any contracts between the company and U.S. government agencies. In 2002, Norinco exported an estimated \$100 million worth of products to the U.S.⁵³
- **16 June 2004:** Testifying on behalf of the U.S.-China Economic and Security Review Commission, Carolyn Bartholomew said, "Chinese entities continue to assist Iran with dual-use missile-related items, raw materials and chemical weapons-related production equipment and technology." The Commission's annual report states, "China has sought energy cooperation with countries of concern to the United States, including Iran . . . Some analysts have voiced suspicions that China may have offered WMD-related transfers as a component of some of its energy deals." Chinese companies are accused of having sold CSS-

⁴⁹ Ze'ev Schiff, "China Aids Iran, Syrian 'Advanced' Ballistic Missile Projects, Israeli Sources." Nuclear Threat Initiative. 4 June 2000. www.nti.org/db/china/miranchr.htm.

⁵⁰ "FM Spokesman Denies China Helped Iran Develop Missile Technology," Hong Kong *AFP*. 18 July 2000. http://www.nti.org/e_research/profiles/Iran/Missile/chronology_2000.html.

⁵¹ Bill Gertz, "Beijing Using Front Companies to Grab U.S. Arms Technology," *The Washington Times*, 26 January 2001, p. 1. http://www.nti.org/e_research/profiles/Iran/Missile/chronology_2000.html.

⁵² Bill Gertz, "U.S. Penalizes 8 Chinese Firms," *Washington Times*, 19 July 2002, pg. 1. http://www.nti.org/e_research/profiles/Iran/Missile/chronology_2000.html.

⁵³ Guy Dinmore, "US Imposes New Sanctions on China," *Financial Times*, 22 May 2003. http://www.nti.org/e_research/profiles/Iran/Missile/chronology_2000.html.

8 and DF-15 ballistic missiles to Iran, along with cruise missiles identified as HY-1, HY-2 Silkworm, C-201, C-601, C-801 and C-802.⁵⁴

- **23 November 2004:** The CIA's six-month assessment of WMD trends for July-December 2003 acknowledged limited improvements in Chinese nonproliferation efforts but raised concern about continued assistance to Iran. "Although Beijing continues to take some steps to educate firms and individuals on the new missile-related export regulations - offering an export control seminar in September 2003 for officials and companies from China and other countries - Chinese entities continued to work with Pakistan and Iran on ballistic missile-related projects during the second half of 2003. . . . Chinese-entity ballistic missile-related assistance helped Iran move toward its goal of becoming self-sufficient in the production of ballistic missiles."⁵⁵
- **28 March 2007:** Speaking before the House of Representatives Foreign Affairs subcommittee on Asia, deputy assistant secretary of state for East Asian affairs Thomas Christensen criticized Chinese investments in the Iranian energy sector. He said, "We have made clear to Beijing that these types of investments, along with continued arms sales, send the wrong signal to the Iranian regime and raise serious concerns under US law."⁵⁶
- **February 2008:** The US State Department launched a "major diplomatic offensive" to put pressure on Beijing to cease possible weapons trades with Iran. The US shed intelligence with eight "key allies" to "persuade China to enforce its export control laws more effectively" and to "aggressively implement" UNSC resolutions on the sale of arms and contraband materials.⁵⁷

US Frustration with China's Role in Iranian Sanctions

The US along with its international allies have made robust efforts to sanction Iran and pressure it to end to its nuclear program. China has been both a partner and a spoiler in the US-led effort. The PRC has participated in UN resolutions punishing Iran for its undisclosed nuclear ambitions, but China has also maintained strong economic ties with Iran and actively undercuts the aggressive sanctions programs initiated by the US and its partners.

UN Security Council Resolution 1929, issued in June 2010, imposed sanctions on Iran's nuclear program and military activities. The Resolution expanded previous sanctions by restricting arms sales, providing states with the ability to search vessels suspected of carrying contraband cargo,

⁵⁴ "2004 Report to Congress of the U.S.-China Economic and Security Review Commission," June 2004, <http://www.uscc.gov> ; Bill Gertz, "China Breaks Vow on Halting Arms Transfer," *Washington Times*, 23 August 2004, pg. 1. http://www.nti.org/e_research/profiles/Iran/Missile/chronology_2000.html.

⁵⁵ "Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions: 1 July Through 31 December 2003." Central Intelligence Agency, November 23, 2004. http://www.nti.org/e_research/profiles/Iran/Missile/chronology_2000.html.

⁵⁶ "US Warns China on Iran arms sales." Al Jazeera. 28 March 2007. <http://english.aljazeera.net/news/americas/2007/03/2008525115719959251.html>.

⁵⁷ Gordon Rayner, "WikiLeaks: Chinese weapons fall into hands of insurgents." *The Telegraph*. 3 February 2011. <http://www.telegraph.co.uk/news/worldnews/wikileaks/8299388/WikiLeaks-Chinese-weapons-fall-into-hands-of-insurgents.html>

and by targeting Iranian firms linked with the IRI's nuclear development capability.⁵⁸ China actively worked to block any barriers Resolution 1929 might place on normal commercial transactions, especially in the energy sector. The PRC ultimately voted in favor of the Resolution, but according to John Garver, it did so only after delaying the measure's passage for the benefit of Iran:

In mid-December 2009 the Obama Administration began pushing for a fourth round of Security Council sanctions after concluding that Tehran would not respond adequately to Washington's overtures over the previous ten months. China did not agree to begin discussing this matter until the end of March 2010, about three and a half months after the U.S. proposal. It then took another nine weeks to reach agreement on what became Resolution 1929. China's lethargic approach helped delay Security Council action by several perhaps six months. All together Beijing's delaying tactics probably gained several years of time for Tehran. This occurred in a situation in which Washington was urging that time was running out for a peaceful settlement and as Tehran pushed forward vigorously with its nuclear efforts. This occurred in a situation in which Washington was urging that time was running out for a peaceful settlement and as Tehran pushed forward vigorously with its nuclear efforts.⁵⁹

The US has undertaken unilateral sanctions, notably the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA). CISADA expands sanctions by making US business endeavors in Iran financially untenable and targets Iran's energy and banking sectors, along with business activities which directly or indirectly benefit the Islamic Republican Guard Corps (IRGC).⁶⁰ US officials have cautioned that the effectiveness of such sanctions is predicated on the degree to which all parties adhere to their proscriptions. A defection or obstruction by a major power such as China dramatically reduces the effectiveness of sanctions.

Two months after using its vote as a permanent member of the Security Council to censure Iran, Chinese officials reiterated their nation's political and economic commitments to the IRI. According to the Iran's state-run Mehr News Agency, Chinese vice premier Li Keqiang and Iranian oil minister Masoud Mir-Kazemi jointly expressed their interest in expanding ties, specifically in the oil and gas sectors. Speaking directly to Chinese interests, Mir-Kazemi said, "...[Iran] is prepared to deliver secure energy to the region, especially to the People's Republic of China, and this matter will lead to stable and strong relation between the two countries."⁶¹ Vice premier Keqiang reciprocated the commitment, stating:

China is willing to work hard with Iran, continue to push mutual political trust [sic], and maintain communication, dialogue and coordination on important international issues, to maintain regional and global peace, stability and prosperity...The key point is to solidly push forward existing

⁵⁸ "Security Council Imposes Additional Sanctions on Iran, Voting 12 in Favour to 2 Against, with 1 Abstention." United Nations Department of Public Information. 9 June 2010. <http://www.un.org/News/Press/docs/2010/sc9948.doc.htm>.

⁵⁹ John W. Garver, "China's Iran Policies." Testimony Before the U.S.-China Economic and Security Review Commission on "China's Current and Emerging Foreign Policy Priorities." 13 April 2011.

⁶⁰ "Remarks by the President at Signing of the Iran Sanctions Act." The White House East Room, Washington, D.C. 1 July 2010. Address, <http://www.whitehouse.gov/the-press-office/remarks-president-signing-iran-sanctions-act>.

⁶¹ "Iran, China Set To Expand Ties in Oil, Gas Sector." Tehran Times. 8 August 2010.

cooperative projects, to ensure they are put into effect smoothly, to deepen bilateral pragmatic cooperation and promote the continued development of bilateral ties.⁶²

Both Chinese and Iranian officials have signaled that their relationship will not be damaged by UNSCR 1929. China did so by denouncing the additional sanctions placed on Iran by the US and its allies. At a July 6, 2010 press briefing Chinese Foreign Ministry spokesman Qin Gang said, "The Security Council not long ago adopted the 1929 Resolution on the Iranian issue. China believes that the resolution should be earnestly, accurately and fully implemented, instead of being arbitrarily interpreted and expanded."⁶³

The PRC has maintained its balancing act in the face of intensified efforts by Western powers to increase sanctions on Iran in late 2011 and early 2012. Chinese leaders condemned non-UN punitive measures and are pushing for renewed negotiations, but they have also cautioned Tehran against rash action that may further polarize the international community and they have recently strengthened ties to alternative energy producers Saudi Arabia and Qatar.

In January 2012, the US Government sanctioned Chinese oil-importer, Zhuhai Zhenrong, for transacting with Iran. Even though the sanctions were essentially symbolic because the company has no ongoing activity with the US covered by sanctions, PRC Foreign Ministry spokesman Lie Weimin used the incident to critique extra-UN sanctions. He said, "Imposing sanctions on a Chinese company based on a domestic (U.S.) law is totally unreasonable and does not conform to the spirit or content of the UN Security Council resolutions about the Iran nuclear issue."⁶⁴

Though China still formally opposes the current round of US and European sanctions on Iran, Chinese officials have also taken a stronger rhetorical stance on the issue of Iran's possession of nuclear weapons and the prospect of the IRI interrupting shipping in the Gulf by "closing" the Strait of Hormuz. Speaking in Doha on a six-day tour of the Middle East, Chinese Premier Wen Jiabao stated that the PRC "adamantly opposes Iran developing and possessing nuclear weapons" and that closing the Straits would be regarded as aggression.⁶⁵

At present China has shown it is committed to maintaining its relations with the Islamic Republic and is sometimes willing to exploit the sanctions-created absence of Western companies. Thus far, China has been able to play its double role with relative impunity. Despite China's continued frustration of American efforts to pressure Iran, the Obama administration has declined to seriously enforce a 1996 measure penalizing third-country companies that invest in Iran's energy sector and do business in the US. China has been able to successfully navigate the passage between support for Iran and alienation of the United States.⁶⁶ Through Iran, Beijing is able to

⁶²"China to Maintain Trade Projects with Iran," Reuters. 6 August 2010.

<http://af.reuters.com/article/energyOilNews/idAFTOE67507B20100806>

⁶³ "Foreign Ministry Spokesperson Qin Gang's Regular Press Conference on July 6, 2010." Ministry of Foreign Affairs of the People's Republic of China. 6 July 2010. <http://www.mfa.gov.cn/eng/xwfw/s2510/2511/t714568.htm>.

⁶⁴ "International Sanctions on Iran Put Pressure on Chinese Diplomacy." China Briefing. 24 January 2012. <http://www.china-briefing.com/news/2012/01/24/international-sanctions-on-iran-put-pressure-on-chinese-diplomacy.html>.

⁶⁵ "China Leader Warns Iran Not to Make Nuclear Arms." Michael Wines. 20 January 2012.

http://www.nytimes.com/2012/01/21/world/asia/chinese-leader-wen-criticizes-iran-on-nuclear-program.html?_r=1.

⁶⁶ Downs, Erica, and Suzanne Moloney. "Getting China to Sanction Iran." *Foreign Affairs* 90.2 (2011): 15-21. *Academic Search Premier*. EBSCO. 21 June 2011.

challenge the US by proxy. Its support is just limited enough to avoid overt confrontation with the West, but substantial enough to earn the good faith of Tehran and the lucrative energy contracts such a relationship brings.

China's Role in the Iranian Nuclear Program

China has been adamant that its support of Iranian nuclear programs has been limited exclusively to Iran's pursuit of peaceful nuclear technology, but many in the West believe these claims to be spurious. The Nuclear Threat Initiative reports that in the mid-1980s "China began training Iranian nuclear technicians in China under a secret nuclear cooperation agreement, assisted in the construction of Iran's primary research facility, located at Isfahan, and also agreed to supply Iran with subcritical or zero yield nuclear reactors--all under IAEA safeguards."⁶⁷

Throughout the 1990's the US and PRC clashed over the latter's nuclear cooperation with Iran. After proposing then cancelling the sale of several nuclear reactors to Iran, the Chinese leadership in 1997 provided then Secretary of State Madeline Albright with a confidential agreement promising to halt support for Iran's nuclear programs. In an October 1997 press briefing, US national security advisor Sandy Berger stated: "We have received assurances from the Chinese that they will not engage in any new nuclear cooperation with Iran and that the existing cooperation--there are two projects in particular--will end. That is the assurance we have received."⁶⁸

Despite this commitment, Iran continued to receive assistance from entities within China in the twenty-first century. According to information collected by the American Enterprise Institute's (AEI) Iran Tracker Project, Iran continued to receive critical equipment and technologies necessary for the production of nuclear weapons:

Notwithstanding the Chinese government's official position, Chinese firms continue trading with Iran in technology related to ballistic missile, chemical and nuclear weapon programs. Between 2001 and 2007, the U.S. imposed sanctions in fifty-two instances against Chinese parties under the Iran Nonproliferation Act (INA) and the Iran and Syria Nonproliferation Act (ISNA)...In the summer of 2007, Chinese shipments to Iran containing 'sensitive' military technologies, including dual-use items on international control lists, apparently increased. As recently as January 2009, Iran reportedly attempted to acquire missile-related, dual-use resources from China...⁶⁹

As international sanctions have toughened against Iran, it has become more difficult to determine the complicity of the Chinese government in technology transfers. According to the *Washington Post*, however, the Obama administration believes that "...companies are violating U.N. sanctions, but that China did not authorize their activities."⁷⁰ The "privatization" of Sino-Iranian

⁶⁷ "China's Nuclear Exports and Assistance to Iran." Nuclear Threat Initiative.
<http://www.nti.org/db/China/niranpos.htm>.

⁶⁸ The White House, Office of the Press Secretary, "Press Briefing by Secretary of State Madeleine Albright and National Security Advisor Sandy Berger," 29 October 1997.

⁶⁹ Maseh Zarif, "Technology Sources for Iran's Nuclear Program," American Enterprise Institute. 24 July 2009.
<http://www.irantracker.org/nuclear-program/technology-sources-irans-nuclear-program>.

⁷⁰ John Pomfret, "Chinese firms bypass sanctions on Iran, U.S. says." The Washington Post. 18 October 2010
<http://www.washingtonpost.com/wp-dyn/content/article/2010/10/17/AR2010101703723.html>.

nuclear cooperation has made both detection and blame harder for those attempting to interdict the supply of nuclear equipment to Iran.

Implications for US Policy

The effectiveness of US tactics in dissuading Iran from pursuing a path of belligerence has been severely impaired by China's diplomatic and economic relationship with Iran. If the US is to be successful in weakening the ties that bind China and the Islamic Republic, US policymakers must recognize that the cornerstone of Beijing's relationship with Tehran is energy security.

If the US-led efforts to isolate Iran can persuade China that Iranian oil is too costly politically and provide viable, secure alternatives, Beijing may be more willing to control its illicit arms and technology exports and cooperate with the US-led sanctions regime. To decrease Iran's attractiveness as an energy provider and increase the likelihood of PRC cooperation with the US, Washington should consider four broad and interrelated guidelines:

- *Promote energy alternatives and stress the cost of cooperation.* In an ideal world, Beijing would like to develop Iran as a national gas station. With its massive amounts of reserve resource potential Iran could be a long-term and eventually high-output producer of the resources China needs to sustain and increase its economic and military growth. To inhibit this outcome the US should leverage its relationships with other oil producers to wean China away from Iranian oil and thus diplomatic support. This tactic has already achieved marked success during the US push to garner China's support for Resolution 1929. According to Downs and Moloney, Chinese crude imports from Iran dropped by 35 percent during the first half of 2010.⁷¹ Though Chinese traders attributed the decline to pricing issues, the drop coincided with US pressuring of the Saudi government to guarantee oil supplies to China.⁷² Through tough enforcement of legislation like CISADA, the US government should also continue to force Chinese NOCs to choose between investing in either the US or Iran.
- *Countermand Iran's "New World Order" narrative by further integrating China.* In addition to the lure of secure energy, Iran hopes to draw China away from the West and closer toward itself by disparaging the current international order. Without pandering or sacrificing vital interests, the US should continue to explore every means available to fully integrate China into the present global system. If the PRC's stock in the status quo increases, outlier nations like Iran will become increasingly less desirable partners.
- *Prevent Iran from reaching its true hydrocarbon production capability.* Taking into account oil and natural gas reserves, Iran is second to only Saudi Arabia in hydrocarbon resources, although its production capacity remains critically underdeveloped. If through internal or external investment, Iran were allowed to increase its output capacity to its true potential, Iran could potentially become an irresistible partner for the PRC. While Iranian production remains defunct, the US should take steps through sanctions or otherwise to prevent the maturation of the Iranian energy sector.
- *Accentuate existing cleavages between the IRI and PRC.* At the same time Ahmadinejad praises Sino-Iranian cooperation and the necessity for Beijing's strong leadership in the transitioning international order, the Iranian media denounces Chinese products as "beneath the dignity" of Iranian consumers. Beijing has proven itself not easily affected by rhetoric, but all means should be taken to exploit instances of public incivility and growing divisions on the domestic level.⁷³

⁷¹ Erica Downs and Suzanne Moloney. "Getting China to Sanction Iran." *Foreign Affairs* 90.2 (2011): 15-21. *Academic Search Premier*. EBSCO. Web. 21 June 2011.

⁷² Erica Downs and Suzanne Moloney. "Getting China to Sanction Iran." *Foreign Affairs* 90.2 (2011): 15-21. *Academic Search Premier*. EBSCO. Web. 21 June 2011.

⁷³ Erica Downs and Suzanne Moloney. "Getting China to Sanction Iran." *Foreign Affairs* 90.2 (2011): 15-21. *Academic Search Premier*. EBSCO. Web. 21 June 2011.

If the US is successful in drawing China away from Iran, it should not expect a fundamental change in China's strategic approach, but rather a gradual shift towards the West and away from Tehran. If political pressure or energy alternatives prove unsatisfactory, Beijing has very little incentive to continue support for the US. China has proven itself responsive to external pressure, but it has also demonstrated a firm commitment to calculated opportunism. While the leaders in Washington and Tehran attempt to elicit China's cooperation on the basis of commitment to the global status quo or a new world order, Beijing's leaders appear far more concerned with the security and prosperity of China, and they will pursue international relationships from that standpoint.

Russia

Russia's relations with Iran have been both cooperative and competitive. Russia has not been as closely linked to Iran as China, but it also has not consistently supported the US and Europe in dealing with Iran. Russian calculations are decidedly realist and its policies towards each side fluctuate according to the relative risks and benefits of association.⁷⁴ Russo-Iranian relations are driven by Russia's goals to establish trade and transport links to the Gulf, to coordinate oil and gas export policies, and to counter US influence in the Middle East.

The US and Iran compete for Russian support on an issue by issue basis. Unlike China whose overriding interest in Iran is energy security, Russia has a multiplicity of interests, none of which are predominant. As a result, Russia's approach to Iran is both broader and more flexible than the PRC's. Russia is free to deemphasize one area of cooperation while highlighting another. To best position itself within the ongoing US-Iranian competition, Russia has repeatedly tried to portray itself as an intermediary power, all the while working to reap the benefits of selective cooperation with both sides.

Evolving US-Russia Relations

The relationship between United States and Russia has gone through cycles of tense and improving relations. After the dissolution of the Soviet Union, the emergent Russian Federation took steps to integrate itself into the post-Cold War order, but maintained both its uniquely non-Western identity as well as its interests in the states formerly under its suzerainty. Russia deeply values its influence in its neighbor states, and is wary of an expansion of NATO that would include former members of the Warsaw Pact.

Russia continues to distance itself from, and sometimes oppose, the US in a number of areas. Toward the end of the 2000s, Russia and the US began to clash diplomatically over number of issues including: gas cutoffs to Ukraine, a cyber-attack on Estonia, anti-Western rhetoric from then President Putin, and the placement of missile systems.⁷⁵ In 2008, after Russia supported the

⁷⁴ Andrew Kutchins, "Reset Expectation: Russian Assessments of U.S. Power." 114.
http://csis.org/files/publication/110613_kutchins_CapacityResolve_Web.pdf

⁷⁵ Jorge Benitez, "U.S.-Russia Relations Under the Obama Administration." Atlantic Council, NATO Source. 18 June 2010. <http://www.acus.org/natosource/us-russia-relations-under-obama-administration>.

breakaway regions of Abkhazia and South Ossetia in the Georgia War, Russo-American relations reached their lowest point since the end of the Cold War.⁷⁶

The election of President Barak Obama provided an opportunity for both countries to “reset” their relationship and refocus on issues of mutual interest. At a bilateral summit in July of 2009, Presidents Obama and Medvedev were able to reach agreements on nuclear security, cooperation on Afghanistan, military-to-military cooperation, a joint commission on POW/MIAs, and the formation of the Bilateral Presidential Commission. Cooperation has been furthered by the successful enactment of a new START treaty in February 2011.⁷⁷

The improvement of relations at the official level appeared to have a trickle-down effect to the Russian public as well. The Russian-based Public Opinion Foundation reports that between February and July of 2010 the percentage of Russians who believe US-Russian relations are improving rose from 31% to 41%.⁷⁸ Additionally, one-third of Russians hope for further improvements in relations—a rise from one-fourth six month earlier.⁷⁹

Since that time, however, relations have become more tense. This partly is a result of the fact that Putin is attempting to use Russian nationalism as a tool in his coming campaign to be President, and partly because of growing Russia and US competition in the region. Russia opposes regime change in both Iran and Syria, and seems to increasingly see Iran as a way of limiting US influence in the region.

Security-Based Political Relations

The United States’ approach to Russia parallels some aspects of its policy towards the PRC. The US welcomes Russia to take an active, supporting role on the world stage but is critical when Russia works contrary to the US-led international status quo. To bring about greater cohesion of Russian and American interests the Obama administration has implemented a strategy of engagement built on joint participation in bilateral agreements, revolving mainly around issues of global security.

As the world’s largest nuclear powers, both the US and Russia have interests in maintaining constructive relations and working to promote nonproliferation. That being said, Russian fears of Western encroachment and Western fears of Russian expansionism have historically led to conflict. Leaders in both countries have had to frequently redirect political focus onto issues of mutual interest to achieve cooperation.

Bilateral military activities were suspended in August 2008 as a result of the hostilities in Georgia, but they have since been restored. On July 6, 2009 Chairman of the Joint Chiefs of Staff Admiral Mullen and General Makarov, Chief of Defense for the Russian Federation, renewed military-to-military engagement between the US and Russia. The framework of the new

⁷⁶ “Background Note: Russia.” U.S. Department of State. 16 March 2011.
<http://www.state.gov/r/pa/ei/bgn/3183.htm>.

⁷⁷ Ibid.

⁷⁸ “Russians increasingly positive about relations with US – poll.” Pravda. 9 July 2010.
<http://engforum.pravda.ru/index.php/?topic/212437-russians-increasingly-positive-about-relations-with-us-poll/>.

⁷⁹ Ibid.

relationship aims to promote operational cooperation, inter-officer dialogue, and a more open exchange of strategic goals. The White House Fact Sheet describes renewed military relations as follows:

The Armed Forces of the United States and Russian Federation have agreed in their work plan for 2009 to conduct nearly 20 exchanges and operational events before the end of the year, including a strategic discussion between the U.S. Joint Staff and the Russian General Staff, orientation for Russian military cadets at the U.S. Military Academy at West Point, planning for a joint exercise to respond to a hijacked aircraft in national and international airspace, visit of the faculty of the Russian Combined Arms Academy to the U.S. Army Combined Arms Center at Ft. Leavenworth, and a naval war game conducted by the Kuznetsov Naval Academy and the U.S. Naval War College. In addition, the U.S. European Command and the Russian Ministry of Defense have agreed to meet to plan a robust and more ambitious work plan for 2010.⁸⁰

Security cooperation has been significantly enhanced by Russia's 2009 agreement to permit US troops and non-lethal materiel bound for Afghanistan transit through Russian territory and airspace—a move which directly conflicts with Iran's hope that Russia would help limit the US presence on its eastern flank. According to the Wall Street Journal, "Supplying Afghanistan from the north is 90% cheaper than airlifting in supplies, and less hazardous than transporting them by truck through Pakistan."⁸¹

Speaking to the Russian Duma, Foreign Minister Sergei Ryabkov explained that – in accordance with the agreement – there had been 780 U.S. flights over Russia carrying 115,000 U.S. troops and more than 19,000 metric tons of cargo since September 2009.⁸² By Russian accounts, the air route accounted for 16 percent of all U.S. military shipments to and from Afghanistan.⁸³ The Russian supply routes have played a key role in maintaining the sustained flow of materiel to ISAF forces after Pakistan closed its borders to NATO traffic following the friendly fire incident that left 24 Pakistani soldiers dead in November 2011.

Another step in the US engagement strategy that affects Iran, and one of the principal fruits of the diplomatic reset in 2009, is the Bilateral Presidential Commission. The State Department describes the Commission's purpose as follows:

[The Commission] is dedicated to identifying areas of cooperation and pursuing joint projects and actions that strengthen strategic stability, international security, economic well-being, and the development of ties between the Russian and American people. It is intended to serve as a regular and structured mechanism to advance the highest-priority bilateral objectives through 18 working groups chaired by senior government officials from a variety of agencies and ministries. Working groups have been formed on the following topics: policy steering; agriculture; arms control; business development and economic relations; civil society; counterterrorism; counter-narcotics; education, culture, sports, and mass media; science and technology; energy; environment;

⁸⁰ "Fact Sheet: United States-Russia Military to Military Relations." The White House, Office of the Press Secretary. 6 July 2009. <http://online.wsj.com/article/SB10001424052748703688704575620882049694928.html>

⁸¹ Ibid.

⁸² "Russian Duma ratifies U.S. Afghan transit deal." The Associated Press. 25 Feb 2011. http://www.armytimes.com/news/2011/02/ap-russia-us_transit-afghanistn-022511/

⁸³ Ibid.

emergency situations; health; military to military; nuclear energy and nuclear security; space cooperation; intelligence; and defense relations.⁸⁴

As a result of the Commission's efforts, the US and Russia have held over 100 meetings with over 60 government agencies and non-governmental partners. The meetings have promoted cross-national investment and produced a counter proliferation deal to dispose of enough weapons-grade plutonium for 17,000 warheads.⁸⁵

Additional positive developments occurred in the second-half of 2010. At NATO's 24th summit in November 2010 a meeting of the NATO-Russia Council produced several agreements, notably including an effort to pursue cooperation on missile defense. Along with the passage of the new START treaty, the Senate also ratified the U.S.-Russia 123 Agreement on civilian nuclear cooperation.⁸⁶

Russia's participation in bilateral initiatives and its support of UN sanctions against Iran signal a desire on the part of Russia's leadership to mend breaches with the US in the face of more immediate rivals like China. However, although cooperation has deepened in some respects, Russia's unwillingness to participate in further sanctions and its increasingly vocal warnings against Western-led military action against Iran delineate the limits of Russia's move toward the West. There remain significant sources of tension in Russo-American relationship, and gains are costly and fragile.

Economic Relations

Although Russian trade with the US is limited compared to trade with partners like China or EU nations, increased economic relations have helped to improve US-Russia relations from their 2008 lows. In 2010, trade between the US and Russia climbed to \$31.7 billion, a 35% increase from the previous year. U.S. imports from Russia grew 41% to \$25.7 billion, but exports to Russia only increased 13% to \$6.0 billion.⁸⁷ The State Department attributes the rapid growth in US imports from 2009 to 2010 to "the low base year and nascent economic recovery in the United States, but also to the rising price of oil and other commodities."⁸⁸ Such dramatic increases are an important indicator of an upward trend of integration, but are probably not sustainable in their own right.

Trade is comprised mainly of inter-industry exchanges. According to the State Department Country Report:

Oil and oil products represent over two-thirds of the value of all U.S. imports from Russia. Russia is currently the 32nd-largest export market for U.S. goods. Russian exports to the U.S. were fuel

⁸⁴ "Fact Sheet: United States-Russia Military to Military Relations." The White House, Office of the Press Secretary. 6 July 2009. <http://online.wsj.com/article/SB10001424052748703688704575620882049694928.html>.

⁸⁵ Jorge Benitez, "U.S.-Russia Relations Under the Obama Administration." Atlantic Council, NATO Source. 18 June 2010. <http://www.acus.org/natosource/us-russia-relations-under-obama-administration>.

⁸⁶ Andrew Kutchins, "Reset Expectation: Russian Assessments of U.S. Power." 114, 121. http://csis.org/files/publication/110613_kuchins_CapacityResolve_Web.pdf.

⁸⁷ "Fact Sheet: United States-Russia Military to Military Relations." The White House, Office of the Press Secretary. 6 July 2009. <http://online.wsj.com/article/SB10001424052748703688704575620882049694928.html>.

⁸⁸ Ibid.

oil, inorganic chemicals, aluminum, and precious stones. U.S. exports to Russia were machinery, vehicles, meat (mostly poultry), aircraft, electrical equipment, and high-tech products.⁸⁹

Foreign direct investment remains low in comparison with other BRIC countries. According to a Deutsche Bank Research report:

Russia ranked below Brazil and China, slightly below India and above Turkey on average from 2000-2008. Looking at US FDI as a percentage of GDP, Brazil leads with 4.4%, while the levels in India, China and Turkey are all close to 1% and hence on par with Russia. In per capita terms, Brazil received most US FDI followed by Russia and Turkey, which both obtained significantly more FDI per capita than China and India.⁹⁰

Deutsche notes, “Russia accounted for only 0.3% (USD 6 bn) of the US FDI stock abroad on average from 2000 to 2008.”⁹¹ During 2000-2008, the two major sectors of US FDI in Russia were mining (53%) and manufacturing (16%). These sectors represent 6% and 3% of worldwide US FDI stock, respectively.⁹² All of Russia’s other investment sectors were close to or below 1% of worldwide US FDI.⁹³

Evolving Iran-Russia Relations

Russo-Iranian relations are mixed, and both nations clearly seek their own advantage while leveraging their relationship in dealings with the US. Russia supports Iran’s competition with the US when it perceives it can control or predict Iranian behavior. Tehran lauds Russo-Iranian cooperation, but it also refuses to be controlled by Russian interests and is not afraid to rebuff what it perceives as Russian overreaching. The US tries to take advantage of breaches when they occur, and all three states are forced to recalculate. Since 2009, Russia has drifted closer to the West but leaders in Tehran and Moscow recognize the mutual utility of positive relations and they continue to pursue partnership to varying degrees.

Russia’s cooperation with Iran is motivated by its goals of enhancing trade connections to the Gulf, using its oil and gas export policies to counter US influence in the Middle East, and seeking to maintain sway over former Soviet states in the Caspian region. Iran has historically valued Russia as a significant supplier of arms and nuclear technology, a source of diplomatic cover at the UN, and as a powerful member of non-aligned states that Iran hopes can counterbalance Western power.

Russia and Iran do, however, have divergent regional perceptions and policies, including competing interests over the resources in the Caspian Sea. Russia’s concern over the prospect of regional instability caused by the nuclear issue, the strains its ties with Tehran places on its

⁸⁹ “Fact Sheet: United States-Russia Military to Military Relations.” The White House, Office of the Press Secretary. 6 July 2009. <http://online.wsj.com/article/SB10001424052748703688704575620882049694928.html>.

⁹⁰ Deutsche Bank Report, “US-Russia economic relations.” 6 July, 2009. 4. http://www.dbresearch.de/PROD/DBR_INTERNET_DE-PROD/PROD0000000000243816.PDF.

⁹¹ Deutsche Bank Report, “US-Russia economic relations.” 6 July, 2009. 3. http://www.dbresearch.de/PROD/DBR_INTERNET_DE-PROD/PROD0000000000243816.PDF.

⁹² Deutsche Bank Report, “US-Russia economic relations.” 6 July, 2009. 4. http://www.dbresearch.de/PROD/DBR_INTERNET_DE-PROD/PROD0000000000243816.PDF.

⁹³ Ibid.

connections (particularly commercial) to the West, and Iran's unwillingness to follow through with Russian offers to mediate the dispute, have been a source of continuing tension..

Russo-Iranian relations have had a turbulent history marked by periods of cooperation and competition, which are influenced by domestic as well as external factors. After the fall of the Shah in 1979, Iran's Supreme Leader Ayatollah Ruhollah Khomeini made known that Iran would not be aligned with either Cold War superpower. He denounced the Soviet Union as "the Lesser Satan" for its policy of atheism, its support of Iran's communist party, its incursion into Afghanistan, and its provision of arms to Iran's regional rival Iraq.

After the death of Khomeini and the formation of the Russian Federation, tension gave way to a period of intensive cooperation. Russia provided Iran with arms and nuclear assistance while Iran politically backed Russian efforts to subdue Muslim Chechen separatists.⁹⁴ Even so, relations remain uncertain. Initially, commitments intensified under the new leadership of Russian President Vladimir Putin, but an incident involving Iran's interruption of oil exploration off the coast of Azerbaijan led to a souring of relations.⁹⁵ Iranian interference caused Azerbaijan to look to the US for support—a turn of events contrary to Russian interests for regional superiority of the Caspian. Moscow has tried unsuccessfully to mitigate international tensions over Iran's nuclear program. Putin's offer to enrich uranium in Russia instead of Iran was rebuffed by Ahmadinejad, and the West has grown increasingly concerned. Since the mid-2000s, Russia with China, has worked to dilute Western-led efforts to sanction Iran. Unlike China, Russia has been willing to reduce its support to Iran at times when it suits Russian interests.⁹⁶

Degrading Political Relations: From Cooperation to Tolerance

Russia was initially an important facilitator of Iran's nuclear capacity, providing technical assistance with the construction of the Bushehr-nuclear reactor, but since then relations have been impacted by intensifying Iranian competition with the West and warming relations with the US in the wake of the Obama Administration's "reset" policy. As a result, Russia has moved towards a more neutral position: occasionally appeasing Washington with diplomatic support for international sanctions, yet continuing trade with Iran. In response, Iranian officials have criticized Russia's collaboration with the West, yet praised those elements of Russo-Iranian cooperation that remain.

Russia and Iran have sometimes come together over issues like trade and regional security. To promote regional cooperation and their shared interest in limiting Western influence in the Caspian Sea, Iran and Russia participate in the Caspian Sea states summits. In 2007 the members, which include Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan, issued a joint statement declaring that they "under no circumstances will allow the use of their territories by other states for an aggression or other military actions against any of the parties."⁹⁷ Iran and

⁹⁴ Mark N. Katz, "Iran and Russia." United States Institute of Peace, The Iran Primer.
<http://iranprimer.usip.org/resource/iran-and-russia>.

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ "Caspian Nations Hold Exclusive Rights To Caspian Resources," Central Asia And Caucasus Business Weekly. 23 October 2007.

Russia also maintain multilateral ties through their participation in the Shanghai Cooperation Organization (SCO).

Bilateral relations have, however, become increasingly complicated in the wake of the US/Russian diplomatic reset, and are mixture of cooperation and tension. In 2009, Russian leaders voiced their support for the re-election of Mahmoud Ahmadinejad and became the first country to formally recognize the results of the contested race.⁹⁸ Speaking at the SCO summit in Russia, Russian Deputy Foreign Minister Sergei Ryabkov said, "We welcome the newly elected president of Iran on Russian soil...It's extremely symbolic that his first foreign visit after his re-election was made to Russia."⁹⁹ Referencing both countries' strong preference for unhindered national sovereignty, he further remarked that the contested election was an "internal affair of the Iranian people."¹⁰⁰

According to the Russian news service RIA Novosti, the Russian public has a highly negative view of Iran. In November 2009, polling revealed that that 93.5 percent of Iranians have a negative opinion of Russia.¹⁰¹ A common opposition chant heard in the aftermath of the disputed elections was "Marg bar Russia" (Death to Russia) in contrast with the more common anti-American refrains.¹⁰²

Russo-Iranian cooperation declined after 2008. Russia's delayed delivery of the S-300 air-defense system, its growing relationship with Israel, and the revelation of Iran's secret uranium enrichment facility at Qom on September 25, 2009 led to a significant cooling of relations. In December 2009, President Ahmadinejad began demanding compensation from the former Allied powers, including Russia, for their occupation of Iran during WWII. Announcing his intention to form a committee to "calculate the damages", Ahmadinejad said, "You inflicted lots of damages to the Iranian nation, put your weight on the shoulders [of the Iranian people] and became victors in the World War II. You didn't even share the war profits with Iran...If I say today that we will take full compensation ... know that we will stand to the end and will take it."¹⁰³

In early March 2010, Transportation Minister Hamid Behbahani announced that by executive order all Russian commercial pilots working in Iran would be required to leave the country within 60 days. He justified the policy claiming, "...our country itself possesses plenty of professional and specialist pilots, there is no need to bring in pilots from abroad."¹⁰⁴

⁹⁸ Mark N. Katz, "Iran and Russia." United States Institute of Peace, The Iran Primer. <http://iranprimer.usip.org/resource/iran-and-russia>.

⁹⁹ Lucian Kim and Lyubov Pronina, "Medvedev Hosts Ahmadinejad as Demonstrations Continue in Iran." Bloomberg. 16 June 2009. <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=agX7duQv0rEQ>.

¹⁰⁰ Ibid.

¹⁰¹ Mark N. Katz, "Iran and Russia." United States Institute of Peace, The Iran Primer. <http://iranprimer.usip.org/resource/iran-and-russia>.

¹⁰² "Death to Russia instead of Israel - روسدیه بر مرگ - 1388 شهریور 27" 18 September 2009. <http://www.youtube.com/watch?v=2JKDAAQPnJg>.

¹⁰³ "Ahmadinejad Demands WWII Reparations From Allied Powers." The Associated Press. 1 September 2010. <http://www.haaretz.com/news/ahmadinejad-demands-wwii-reparations-from-allied-powers-1.265628>.

¹⁰⁴ "Tehran Gives Russian Pilots 2 Months to Leave." The Washington Times. 11 March 2010. <http://www.washingtontimes.com/news/2010/mar/11/tehran-gives-russian-pilots-2-months-to-leave/>

In September 2010, the delay preventing Iran's acquisition of the Russian S-300 system transformed into Russia's full cancellation of the contract in lieu of UN sanctions. While refraining from specifics, Ahmadinejad excoriated "some people" (Russia) for breaking their contractual obligation and for submitting to the influence of the US. He said:

Some people are influenced by Satan. They thought the Iranian nation will be harmed if they unilaterally and illegally stop or cancel defense contracts they signed with us... The contract is valid. They must implement it. If they don't, the Iranian nation will obtain its rights, including compensation and penalties.¹⁰⁵

Despite Tehran's loss of the S-300 missile system and their criticism of Russia's move toward the West, Iranian officials have remained positive about other areas of Russo-Iranian cooperation, particularly the completion of the Russian-built Bushehr nuclear power plant. Speaking by phone to President Medvedev in February 2011, Ahmadinejad said, "There are abundant grounds for cooperation between Iran and Russia. In the same ground, launching the Bushehr nuclear power plant in due time serves the interests of both states."¹⁰⁶ The Fars News Agency reports that Ahmadinejad and Medvedev are hopeful for future cooperation:

Iran welcomes further development of cooperation between the two countries in different fields. Medvedev, for his part, stressed his country's eagerness to further consolidate relations and boost cooperation with Iran, and said Moscow is making serious efforts to launch the Bushehr nuclear power plant according to the specified timeline.¹⁰⁷

Actions like expelling Russian pilots and demanding WWII compensation evince Tehran's apparent willingness to openly demonstrate its displeasure with some Russian policies. But at the same time Tehran continues to stress the importance of its relationship with Moscow, especially over issues like Bushehr. The Russians, for their part, continue to pursue a strategy of pragmatism in their relationship with Iran. Iran remains a lucrative market for Russian arms and technology; cooperation, though curtailed, remains profitable. Neither Russia nor Iran is willing to sacrifice meaningful political capital on behalf of the other, but until outside pressure forces a change, the opportunistic partnership remains.

The Russo-Iranian Economic Relationship: Arms, Energy, Technology

Iran and Russia are economically linked—in competition and cooperation—by their mutual dominance of the world's reserves and production of hydrocarbons. Russia is the largest producer of natural gas, holding 23 percent of the world's gas and 6.3 percent of the world's oil.¹⁰⁸ Iran, with the second biggest gas reserves, controls 16 percent of the world's gas and 11

¹⁰⁵ Ali Akbar Dareini, "Iran: Russia gives in to 'Satan' with missile ban." The Associated Press. 3 November 2010. <http://www.washingtonpost.com/wp-dyn/content/article/2010/11/03/AR2010110301907.html>.

¹⁰⁶ "Iranian, Russian Presidents Underline Launch of Bushehr N. Power Plant." Fars News Agency. 15 March 2011. <http://english.farsnews.com/newstext.php?nn=8912240571>.

¹⁰⁷ Ibid.

¹⁰⁸ "Factbox - Russia's relations with Iran." Reuters. 26 May 2010. <http://www.reuters.com/article/2010/05/26/iran-nuclear-ahmadinejad-idUSLDE64P10N20100526>.

percent of its oil.¹⁰⁹ Along with Qatar, the three nations form the “gas troika” which controls 40 percent of global reserves.

In addition to hydrocarbons, Russo-Iranian trade notably includes agricultural products, telecommunications, aviation, nuclear technology and equipment, and weapons. Iran is Russia’s most significant trading partner in the Middle East with bilateral trade hovering around \$3 billion in 2009 (a significant drop from a record setting \$3.7 billion in 2008).¹¹⁰

Table 10, 2 shows that Russian exports to Iran and Iranian exports to Russia have both grown steadily according to the Russian Federal State Statistics Service:¹¹¹

Table 10.2: Russian Trade with Iran: 1995-2008

RUSSIAN EXPORTS TO IRAN		IRANIAN EXPORTS TO RUSSIA	
1995	\$249 million	1995	\$27 million
2000	\$633 million	2000	\$57.6 million
2005	\$1.9 billion	2005	\$125 million
2008	\$3.3 billion	2008	\$401 million

Sanctions and Russo-Iranian Energy Cooperation

Russia and Iran’s status as world energy suppliers and their proximity to the oil rich Caspian Sea has led to energy-centric cooperation between the two powers, but cooperation has diminished in many respects as sanctions intensify and Iran looks to challenge Russia’s dominance of energy transport to the EU. According to Reuters, “Iran has said it wants to supply the Nabucco pipeline, a long delayed project that is backed by the European Union as a way to curb dependency on Russia by pumping gas from the Caspian and the Middle East...that would undermine the efforts of Russia's leaders, who have spent a decade garnering support for rival pipelines such as South Stream and Nord Stream.”¹¹²

As a brief chronology demonstrates, sanctions and a generally more hostile business environment have led Russian companies to pull back from Iran in recent years:

- **March 24, 2010:** LUKoil, Russia’s second largest oil company, announced its withdrawal from the Anaran project in Iran “due to the impossibility of carrying out further work at the field because of the economic sanctions imposed by the U.S. government.” The project is comprised of four oil structures designed to exploit reserves estimated at 2 billion barrels of oil.¹¹³

¹⁰⁹ Ibid.

¹¹⁰ Ibid.

¹¹¹ Mark N. Katz, “Iran and Russia.” United States Institute of Peace, The Iran Primer. <http://iranprimer.usip.org/resource/iran-and-russia>.

¹¹² “Factbox - Russia's relations with Iran.” Reuters. 26 May 2010. <http://www.reuters.com/article/2010/05/26/iran-nuclear-ahmadinejad-idUSLDE64P10N20100526>.

¹¹³ “LUKoil Withdraws From Iran Project, Citing 'U.S. Sanctions'.” Radio Free Europe, Radio Liberty. 2 August, 2011. <http://www.rferl.org/content/Lukoil-Withdraws-From-Iran-Project-Citing-US-Sanctions/1992471.html>.

- **April 7, 2010:** Industry sources report that LUKoil will cease its gasoline exports to Iran in expectation of international sanctions. LUKoil had supplied some 250,000 to 500,000 barrels of gasoline to Iran every other month, traders said.¹¹⁴
- **June 1, 2010:** Caspian Sea producers suspend oil swaps with Iran after Tehran steeply raised fees on operations to avoid an oil glut following lower sales of its own crude. Producers said Iran had made the market deliberately uneconomic.¹¹⁵

Nevertheless, Russian commercial cooperation with Iran and condemnation of sanctions imposed outside of the Security Council framework continues. Despite US pressure, the Russian government and Russia's most significant oil major, Gazprom Neft, have publically announced their intention to remain active partners in Iran's energy and petrochemical sectors. However the nature of the continued partnership remains confined mainly to generalities.¹¹⁶

In December 2010, Iranian *PressTV* reported the head of the oil arm of Gazprom, Alexander Dyukov said that his company plans to carry on working with the Iranian government despite the impact of international sanctions. Russian website *OilExp* quoted him as saying: "The Company continues holding negotiations over two Iranian oil fields, but so far, the parties have not reached any agreements."¹¹⁷

Several weeks after the US and its partners issued supplemental sanctions to UN Resolution 1929, Russian energy minister, Sergei I. Shmatko, met in Moscow with his Iranian counterpart, Massoud Mir-Kazemi, and issued a joint statement praising "active cooperation between Russian and Iranian companies in the oil, gas and petrochemical sectors, which are developing and widening in their joint work."¹¹⁸

In late 2011, Russian officials strongly criticized increased sanctions on Iran's energy sector by the US, EU, and Japan. They labeled further punitive measures as not only unnecessary but counter-productive to the easing of tensions heightened by recurring assassinations of Iranian nuclear scientists and the release of a November 8 IAEA report which strongly alleges a weapons-oriented component to Iran's nuclear program.

Speaking to Iran's official news agency IRNA in late December 2011, Russian Foreign Ministry spokesman Alexander Lukashevich said that "Russia is opposed to any anti-Iran action by the international community and believes that they will be useless... We are now witnessing that the previous sanctions against Iran were all futile"¹¹⁹

¹¹⁴ "Russia's Lukoil to halt gasoline sales to Iran." 7 April 2010. Reuters.

<http://www.ynetnews.com/articles/0,7340,L-3872694,00.html>

¹¹⁵ "Russia's Lukoil to Halt Gasoline Sales To Iran." Reuters. 4 July 2010.

<http://af.reuters.com/article/energyoilnews/idaflde65i04o20100619>.

¹¹⁶ "Iran, Gazprom 'to continue cooperation'." PressTV. 14 December 2010.

<http://www.presstv.ir/detail/155462.html>.

¹¹⁷ Ibid.

¹¹⁸ Andrew E. Kramer, "Russia Plan to Help Iran Challenges Sanctions." 14 July 2010. The New York Times.

http://www.nytimes.com/2010/07/15/world/europe/15russia.html?_r=1&scp=4&sq=Iran&st=Cse.

¹¹⁹ "Nuclear sanctions won't affect Iran economy, Russia official says." Haaretz. 12 December 2012.

<http://www.haaretz.com/news/middle-east/nuclear-sanctions-won-t-affect-iran-economy-russia-official-says-1.402984>.

Russian Foreign Minister Sergey Lavrov stated on January 18, 2012, that the new sanctions had, "...nothing to do with a desire to strengthen the nuclear non-proliferation...It's aimed at stifling the Iranian economy and the population in an apparent hope to provoke discontent." He also warned that the situation risked leading to attacks on Iran in which..."The consequences will be extremely grave. It's not going to be an easy walk. It will trigger a chain reaction and I don't know where it will stop."¹²⁰

On January 23rd, 2012 the EU Foreign Ministers agreed to freeze the assets of the Iranian Central Bank and impose a boycott on Iranian oil while honoring existing contracts until July 1, 2012. Iranian media sources rapidly decried the EU move as "illogical and unjustifiable" and Ali Ashghar Kaji, deputy foreign minister for European and American affairs, claimed that, "Certain powers within the European Union have been seeking to create tension in relations with the Islamic Republic of Iran by pursuing the U.S. policies and adopting a hostile approach,"¹²¹

The Russian Foreign Ministry's response to the embargo expressed both "regret and alarm" with the decision.¹²² Russia is pushing for a resumption of P5+1 negotiations with Iran and claims that the European tack toward a tougher line with Iran "...is a deeply mistaken approach."¹²³ In its official statement the Ministry made clear that Western attempts at modifying Iran's behavior through punitive action would be unsuccessful and unsupported by Russia: "It is obvious that what is happening here is open pressure and diktat, an attempt to 'punish' Iran for its intractable behavior...Under such pressure Iran will not agree to any concessions or any changes in its policy."¹²⁴

Russian Military Assistance to Iran

Security-based cooperation between Russia and Iran has historically focused on arms sales. The beginning of significant arms trading between Russia and Iran occurred after the death of Ayatollah Ruhollah Khomeini in 1989. The then Soviet Union provided the IRI with weapons, scientific-technical cooperation, and a commitment of mutual non-interference in domestic matters.

Since 1992, Russia has sold Iran major weapons systems, including twenty T-72 tanks, air-to-air missiles, Tor-M1 short-range anti-aircraft missiles, submarines, armored vehicles, and combat

¹²⁰ Associated Press, "Russia warns attack on Iran could unleash 'chain reaction,' criticizes further sanctions," Updated: Wednesday, January 18, 7:58 AM; CBS News, January 18, 2012. http://www.cbsnews.com/8301-202_162-57360784/russia-warns-against-more-iran-sanctions/.

¹²¹ "EU will be responsible for consequences of Iran oil embargo." Tehran Times. 24 January 2012. <http://www.tehrantimes.com/politics/94773-eu-will-be-responsible-for-consequences-of-iran-oil-embargo>.

¹²² "Iran slams EU oil embargo, warns could hit U.S." 23 January 2012. Reuters. <http://www.reuters.com/article/2012/01/23/us-iran-eu-deal-idUSTRE80M0IU20120123>.

¹²³ Ibid.

¹²⁴ "Iran slams EU oil embargo, warns could hit U.S." 23 January 2012. Reuters. <http://www.reuters.com/article/2012/01/23/us-iran-russia-idUSTRE80M20820120123>.

aircraft like the MiG-29.¹²⁵ In the past ten years, Iran has purchased more than \$5 billion in Russian weaponry.¹²⁶

According to Richard Grimmett at the Congressional Research Service, during the first decade of the 2000s the value of Russo-Iranian arms deliveries was significantly lower than the value of arms agreements. While the value of arms deliveries slightly increased, climbing from \$300 million in 2003-2006 to \$400 million during 2007-2010, the value of agreements during those same periods plunged from \$2.1 billion to \$300 million.¹²⁷ The decrease in agreements overtime and the large gap between the value of promised agreements and actual deliveries reflect an aspect of Russia's response to international pressure on Iran's nuclear program.

The chronology in Figure 10.3 below highlights some of the major exchanges in the Russo-Iranian arms trade:

Figure 10.3: Chronology of Recent Russo-Iranian Arms Cooperation

- **1989 to 1991:** The Soviet Union signed a series of deals supplying Iran with MIG-29 and SU-24 fighter aircraft, aircraft missiles, S-200 air defense complexes, three diesel submarines, and hundreds of tanks and armored vehicles, as well as various munitions. The arrangement included licensed manufacturing of tanks and armored vehicles and a 10-year period for parts and supplies. The contracts were to stay in effect until 1999- 2001. With the exception of tank and armored vehicle exports that fell short of expected quotas, the bulk of the weapons were shipped to Iran in 1992-1996.¹²⁸
- **2001:** A bilateral agreement on military and technical cooperation was signed, leading to widespread anticipation of future multi-billion dollar contracts. Few deals were ultimately concluded, however, and these were relatively modest: a \$150 million helicopter contract and an order for 300 armored vehicles that was suspended a few years later. Some enterprises received smaller orders for repairing Russian-made equipment.¹²⁹
- **December 2005:** A contentious \$700-900 million air defense systems contract was announced. Russia delivered 29 Tor-M1 missile systems.¹³⁰
- **2007:** Russian and Iran sign a deal to supply five batteries of long-range S-300 air-defense missiles, which are similar to the US Patriot system, worth almost \$1 billion.¹³¹ However, it is unclear whether Russia

¹²⁵ Lionel Beehner, "Russia-Iran Arms Trade." Council on Foreign Relations: Background. 1 November 2006. <http://www.cfr.org/iran/russia-iran-arms-trade/p11869>.

¹²⁶ Fred Weir, "Why Russia is cutting off major arms sales to Iran." Christian Science Monitor. 23 September 2010. <http://www.csmonitor.com/World/Europe/2010/0923/Why-Russia-is-cutting-off-major-arms-sales-to-Iran>.

¹²⁷ Richard F. Grimmett, "Conventional Arms Transfers to Developing Nations, 1998-2005." Congressional Research Service. October 2006, 66. Richard F. Grimmett, "Conventional Arms Transfers to Developing Nations, 2003-2010." Congressional Research Service. September 22, 2011.

¹²⁸ Alla Kassianova, "Russian Weapons Sales to Iran: Why They are Unlikely to Stop." PONARS Policy Memo No. 427. Tomsk State University. December 2006. http://www.gwu.edu/~ieresgwu/assets/docs/ponars/pm_0427.pdf.

¹²⁹ Ibid.

¹³⁰ Tony Halpin and Alexi Mostrous, "Russia ratchets up US Tensions with Arms Sales to Iran and Venezuela." The Times. 19 September 2008. <http://www.timesonline.co.uk/tol/news/world/europe/article4781027.ece>.

¹³¹ Fred Weir, "Why Russia is cutting off major arms sales to Iran." Christian Science Monitor. 23 September 2010. <http://www.csmonitor.com/World/Europe/2010/0923/Why-Russia-is-cutting-off-major-arms-sales-to-Iran>.

actually intends to sell Iran the systems or that it merely wants to send a message to the international community, namely the US, that it *can* sell Iran the systems.¹³² In the end, they were never delivered.

- **December 2008:** The Deputy Director of the Russian Federal Organization for Military and Technical Cooperation Alexander Foumin said that his country intended to increase joint military cooperation with Iran, a change that he said would bring greater stability to the region.¹³³
- **2010:** The Kremlin orders a halt to all sales of sophisticated Russian weaponry to the Islamic Republic. A decree signed by President Dmitry Medvedev bans the supply of battle tanks, armored vehicles, large-caliber artillery systems, warplanes, military helicopters, ships, and missiles – including S-300 air defense systems – to Iran as part of measures to bring Russia into compliance with tough sanctions agreed by the UN Security Council Resolution 1929. Russian Deputy Foreign Minister Sergei Ryabkov said unspecified defense cooperation with Iran would continue, despite the end of major arms sales.¹³⁴ However, Anatoly Isaikin, the head of the state arms trader Rosoboronexport, said no international agreements bar Russia from selling weapons to Teheran, meaning Moscow is not eliminating the possibility of future sales to Iran.¹³⁵
- **August 2011:** Citing Russia's failure to deliver the S-300 air defense system, Iran filed suit against the Russian Federation with the International Court of Arbitration, hoping to either force Moscow to sell the military hardware to Tehran after all or pay reparations.¹³⁶

It is important to note that while arms sales generate revenue in the hundreds of millions of dollars, Russia's agreements with other consumers such as China and India by far outweigh those with Iran, and the importance of the relationship should not be overestimated.¹³⁷

Russia's Participation in Iranian Nuclear Efforts

Russia's continuing support for Iran's nuclear efforts, particularly its construction of Iran's Bushehr power plant, frustrates US aims to block Iran's access to some technologies which may be used to create nuclear weapons. In addition to receiving over \$1 billion for the 15 year-old contract, Russia leverages its nuclear cooperation with Iran as a political counterweight in the ongoing tripartite competition.

Russia was able to mitigate the damage done to its relationship with Iran after its cancellation of the S-300 deal by promising Tehran that it would see the Bushehr project through to completion. The Iranian's criticized Russia's move to the West, but they refrained from taking any action capable of placing the completion of Bushehr in jeopardy. The US is similarly restrained from taking action against Russia's participation in Iran's nuclear program because it values

¹³² Ariel Farrar-Wellman, "Russia-Iran Foreign Relations." American Enterprise Institute, Iran Tracker. 2 August 2010. <http://www.irantracker.org/foreign-relations/russia-iran-foreign-relations>.

¹³³ "Minister: Iran, Russia to boost military cooperation." China View News. 16 February 2009 http://news.xinhuanet.com/english/2009-02/16/content_10824531.htm.

¹³⁴ Fred Weir, "Why Russia is cutting off major arms sales to Iran." Christian Science Monitor. 23 September 2010. <http://www.csmonitor.com/World/Europe/2010/0923/Why-Russia-is-cutting-off-major-arms-sales-to-Iran>.

¹³⁵ "No obstacles over Iran arms deals." Associated Press. 28 January 2010. <http://www.jpost.com/IranianThreat/News/Article.aspx?id=167120>.

¹³⁶ <http://atlanticsentinel.com/2011/08/iran-sues-russia-for-canceled-arms-sale/>

¹³⁷ Lionel Beehner, "Russia-Iran Arms Trade." Council on Foreign Relations: Backgrounder. 1 November 2006. <http://www.cfr.org/iran/russia-iran-arms-trade/p11869>.

Moscow's decision to support UN sanctions. By extending and retracting support proportionally, the Russian leadership has managed to balance its relationship with both the US and IRI, albeit with an increasing tilt toward the West.

Mikhail Margelov, head of the security committee of the Federation Council, Russia's upper house of parliament, articulated Russia's strategy saying: "That is why, if we cooperate with Iran in the field of nuclear energy, as we do by completing Bushehr, we do so because this is the only legal mechanism to keep them cooperating with the international institutions."¹³⁸

Figure 10.4 provides a detailed chronology of Russia's participation in Iran's burgeoning nuclear program. Unless otherwise noted, all data comes from the National Threat Initiative's Iran Profile:

Figure 10.4: Chronology of Russo-Iranian Nuclear Cooperation¹³⁹

- **1987:** Russian nuclear cooperation with Iran begins, according to a 1999 article written by Viktor Mikhaylov, then chairman of the Russian Ministry of Atomic Energy's Scientific Council.
- **1992:** Russia and Iran signed a 15-year bilateral nuclear cooperation agreement.
- **1993:** The Iranian parliament ratifies nuclear cooperation agreements with Russia and China. Iran will buy two VVER-440s [440MW reactors] from Russia and two 300MWe pressurized water reactors similar to those at Qinshan from China.
- **1995:** Russia announced that it would complete Bushehr's construction and agreed to build three additional reactors. Russia agreed to complete construction of the Bushehr-1 nuclear power plant and also secretly offered to supply Iran with a large research reactor, a fuel fabrication facility, and a gas centrifuge plant.
- **Feb 2005:** Russia and Iran signed an agreement for Moscow to supply fuel to Iran's new nuclear reactor in Bushehr. Under the deal Iran has to return spent nuclear fuel rods from the reactor, which was designed and built by Russia. The clause was a safeguard meant to banish fears that Iran might misuse the rods to build nuclear weapons, a concern of the US, Israel and others.¹⁴⁰
- **Jan 1996:** The Russian and Iranian contract on the Bushehr power plant went into effect. Russia is under a contractual obligation to complete and render operational the Bushehr nuclear power plant within 55 months.
- **March 1996:** Representatives from China, India, Iran, and Russia signed a protocol in Moscow establishing the Asian Fusion Research Foundation to cooperate in the study of nuclear fusion.
- **1997:** Iran and Russia signed a memorandum of understanding (MOU) on export controls, emphasizing their commitment to the nonproliferation of nuclear weapons and their means of delivery.
- **1998:** Russia will build two more nuclear reactors in Iran in addition to Russia's \$850 million deal to build a 1,000MW nuclear power plant at Bushehr. Kaurov says Russia "agreed in principle" with Iran on the

¹³⁸ Fred Weir, "Why Russia is cutting off major arms sales to Iran." Christian Science Monitor. 23 September 2010. <http://www.csmonitor.com/World/Europe/2010/0923/Why-Russia-is-cutting-off-major-arms-sales-to-Iran>.

¹³⁹ "Nuclear Overview." Iran Profile, Nuclear Threat Initiative. February 2011. http://www.nti.org/e_research/profiles/Iran/Nuclear/.

¹⁴⁰ "Russia-Iran nuclear deal signed." BBC News. 27 February 2005. http://news.bbc.co.uk/2/hi/middle_east/4301889.stm.

construction of two more reactors at Bushehr. Construction was not expected to begin for five years. This new deal was not a signed contract, but was rather a verbal agreement.

- **2000:** Russian President Vladimir Putin instituted changes to the 1992 presidential decree "On Controlling the Export of Nuclear Materials, Equipment and Technologies from the Russian Federation" that permit Russia to supply nuclear technologies and materials to countries whose nuclear programs are not fully monitored by the International Atomic Energy Agency (IAEA). This was reportedly Moscow's response to the US Congress's passage of the Iran Nonproliferation Act, which imposes sanctions against Russian companies suspected of supplying Iran with prohibited technologies and materials. A spokesperson for the Ministry of Atomic Energy stated that Russia's ability to export nuclear materials and technologies has been "broadened considerably." It was believed that Putin revised his predecessor's decree in order to expedite the implementation of a contract with Teheran in the near future.
- **2007:** Russia delivered the first fuel shipment to the power plant in Bushehr, in southern Iran. Russian officials claim that the fuel will be under the control of the International Atomic Energy Agency while its inspectors are in Iran, and that Tehran has given its pledge that the fuel will only be used for the power plant.
- **2009:** Iran performed tests at its Bushehr nuclear power plant using "dummy" fuel rods, which are loaded with lead rather than enriched uranium.
- **Jan 2012:** Iranian officials claim the Bushehr plant is weeks away from operating at its full capacity.

Russia's Strategic Independence: Missile Sales to Iran and Syria

Russian support for US-led international sanctions has been mixed. As seen above, Russia has been an important facilitator of the Iranian nuclear program, but has since moderated its stance.

In 2007, Iran announced that it had brokered a deal to purchase the S-300 air-defense system from Russia. The missile system, which is designed to track and destroy ballistic missiles, cruise missiles, and low-flying aircraft, is comparable to the US MIM-104 Patriot system, according to Russia's RIA Novosti news service.¹⁴¹ As above-mentioned, the S-300 system was added to a list of weapons banned for sale to Iran by UNSCR 1929 in June 2010.

After some hesitation, the Russian government decided to formally cancel its contract with Iran in September of 2010. The change in policy represented a marked show of support for the Western-led effort to put greater pressure on Iran. Announcing the decision, General Nicolai Makarov remarked that the sale was halted because the missiles "definitely fall under sanctions."¹⁴²

Predictably, Iranian Defense Minister Gen. Ahmad Vahidi denounced Russia's decision as a slavish gesture to the West. Speaking on Iranian state-run TV he said, "We think Russia should show it has an independent stance in choosing its relations with other countries as well as on international issues... They have not done it so far."¹⁴³

¹⁴¹ "U.S. to beef-up Gulf air defense force to keep Iran, Israel in check - Guardian." RIA Novosti. 1 February 2010. <http://en.rian.ru/world/20100201/157737724.html>; "S-300P (SA-10 Grumble)." Missilethreat.com, Project of the Claremont Institute. http://www.missilethreat.com/missiledefensesystems/id.50/system_detail.asp.

¹⁴² "Russia holds off on Iran arms deal." Irish Times. 22 September 2010. <http://www.irishtimes.com/newspaper/breaking/2010/0922/breaking32.html>

¹⁴³ Fred Weir, "Why Russia is cutting off major arms sales to Iran." Christian Science Monitor. 23 September 2010. <http://www.csmonitor.com/World/Europe/2010/0923/Why-Russia-is-cutting-off-major-arms-sales-to-Iran>.

The Russian leadership demonstrated its independence soon after, though not for Iran's benefit. Days after their announcement cancelling the sale of anti-air missiles to Iran, Russian officials confirmed a sale of anti-ship missiles to Syria. Dismissing US and Israeli fears that Russian-made arms could fall into the hands of terrorists, Defense Minister Anatoly Serdyukov stated on September 17th, 2010 that Russia would fulfill a contract to provide Syria with P-800 Yakhont anti-ship cruise missiles.¹⁴⁴ The supersonic P-800 Yakhont missiles have a range of 300km (186 miles), carry a 200kg (440lb) warhead, and are able to fly at an altitude of only 5-15m (16-50ft), making it difficult to detect and intercept them.¹⁴⁵

As evidenced by their different approaches to the Iran and Syria deals, the Russians refuse to tow a party line (other than their own); they are not afraid of upsetting the US and its allies, but are at the same time risk-aware. Taking into account the intense international pressure on Iran and the growing benefits of trade with Israel, the Russian leadership deemed the benefits from the sale of the S-300s too high, whereas the diplomatic costs of the sale to Syria were considered acceptable. The cancellation of the S-300 system for example, yielded Russia several coveted Israeli UAVs.¹⁴⁶

Despite Russia's cooperation with the sanctions regime, Russian officials are vocal in their belief that Iranian nuclear weapons do not pose a strategic threat to Russia or the West which cannot be handled diplomatically. On June 13, 2011 Russian Deputy Defense Minister Anatoly Antonov told Ekho Moskvyy radio:

Who is threatening Europe today? You mentioned Iran. Why should Iran launch a missile upon Berlin or Rome? Iran's policy, as far as how it is declared by the Iranian leadership, is development of relations with European countries. I cannot say that Iran is a threat... This issue needs to be discussed and resolved. There are two ways to eliminate the threat, namely military-technical, through the creation of a missile shield, and diplomatic, which Russia proposes...¹⁴⁷

What Russian leaders are concerned about is regional instability produced by the escalating conflict. In January 2012, Dmitry Rogozin, Moscow's newly appointed deputy prime minister overseeing the defense sector, told reporters in Brussels, "Iran is our neighbor... and if Iran is involved in any military action, it's a direct threat to our security."¹⁴⁸

While Russian officials may not share the West's perception of Iran as a clear and emerging danger, their position is not one of apathy. Russia has a large stake in shaping regional power dynamics to promote its interests and an upset in the current balance produced by open conflict is not likely to be ignored by Moscow.

¹⁴⁴ "Russia to sell Syria anti-ship cruise missiles." BBC News. 17 September 2010. <http://www.bbc.co.uk/news/world-middle-east-11347495>.

¹⁴⁵ Ibid.

¹⁴⁶ "Israel and Russia in UAV Deal." Defense Industry Daily. 20 May 2011. <http://www.defenseindustrydaily.com/Israel-and-Russia-in-UAV-Deal-05459>.

¹⁴⁷ "Europe Faces No Iranian Missile Danger: Russian Official." Nuclear Threat Initiative, Global Security Newswire. 13 June 2011. http://www.globalsecuritynewswire.org/gsn/nw_20110613_9100.php.

¹⁴⁸ "Russia says would be threatened by Iran military action." 13 January 2012. Reuters. <http://www.reuters.com/article/2012/01/13/iran-russia-nato-idUSL6E8CD2XU20120113>.

Implications for US Policy

The US has a strong interest in continuing to draw Russia away from Iran and toward its Western coalition. Without Russian support, Iran loses not only a diplomatic sponsor, but also access to arms and technical support for its existing nuclear infrastructure. The Russo-Iranian relationship is built upon mutual opportunism. The US should continue to stress the material and diplomatic benefits of partnership with the West, while at the same time working to enhance the costs of partnership with Iran.

- *Encourage Russia's growing ties with Israel.* While Russia's growing trade with Israel has not halted Russia's supply of missile technology to Syria, it did play a factor in the cancellation of the S-300 deal. Israel has begun to sell Russia UAVs, a high priority technology for maintaining pipeline security in Russia. As Russo-Israeli trade increases, the Russians may become more hesitant about alienating a valued trade partner by providing its enemies with advanced weapons technologies. Bilateral pressure will certainly not lead to a cessation of arms sales to Iran, but it may have a strong dampening effect—decreasing the quantity and quality of future deals.
- *Isolate Iran by further integrating Russia.* Iran would prefer Russia view the world as a duality between Western and non-Western states. To isolate Iran and better integrate Russia into the existing order, the US should continue to support the bilateral agreements and institutions it put in place after the 2009 diplomatic reset.
- *Leverage Russo-Iranian Energy Competition.* Iran and Russia compete to supply Europe with energy and to control the lucrative resources of the Caspian Sea. The US and Europe should take advantage of this competition by offering to favor Russian providers in return for their assistance to isolate Iran.

Russia has its own agenda and increased competition with the West should not be interpreted as a general shift in the Russian worldview. That being said, Russia has its own reasons to oppose a nuclear Iran and one that threatens the stability of the flow of Gulf oil and the world economy. Unlike China, Russia has less need of Iran as a direct supplier of energy export. This creates opportunities for further Russian cooperation and integration with the West.